Strauss Group LTD.

Quarterly Repot

as at June 30, 2021

Board of Directors	Ofra Strauss, Chairperson Adi Strauss Ronit Haimovitch Gil Midyan Meir Shani David Mosevics Galia Maor Dalia Narkys Dorit Salinger Dalia Lev Joshua (Shuki) Shemer Tzipi Ozer-Armon
President & CEO	Giora Bardea
EVP, CLO & Company Secretary	Michael Avner
Auditor	Somekh Chaikin KPMG
Registered office	Hasivim St. 49 P.O.B 194 Petach Tikva 4959504, Israel

Strauss Group LTD.

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Introduction

Company Profile

Strauss Group is an international food and beverage company whose home base is in Israel. Since 1933, Strauss has worked to improve people's lives, all over the world. Today, Strauss is among the largest public companies listed on the Tel Aviv Stock Exchange, with over 8.3 billion shekels in global annual revenue in 2020 according to non-GAAP financial measures. Strauss employs approximately 16,550 people worldwide, is active in more than 20 countries, and operates 25 manufacturing sites. Strauss is committed to its sustainability program in relation to consumers, the community, employees, suppliers and the environment.

The Group's areas of activity

Strauss Israel

The second-largest food and beverage group in Israel in terms of sales volumes (according to StoreNext). Strauss Israel encompasses 10 business segments; operates 12 sites, which include manufacturing sites and logistics centers; and has more than 4,500 employees.

Strauss Coffee

One of the five largest coffee companies in the world in terms of market share (according to Euromonitor). Strauss Coffee is active in Israel, Brazil, Russia, Ukraine, Poland, Romania and Serbia.

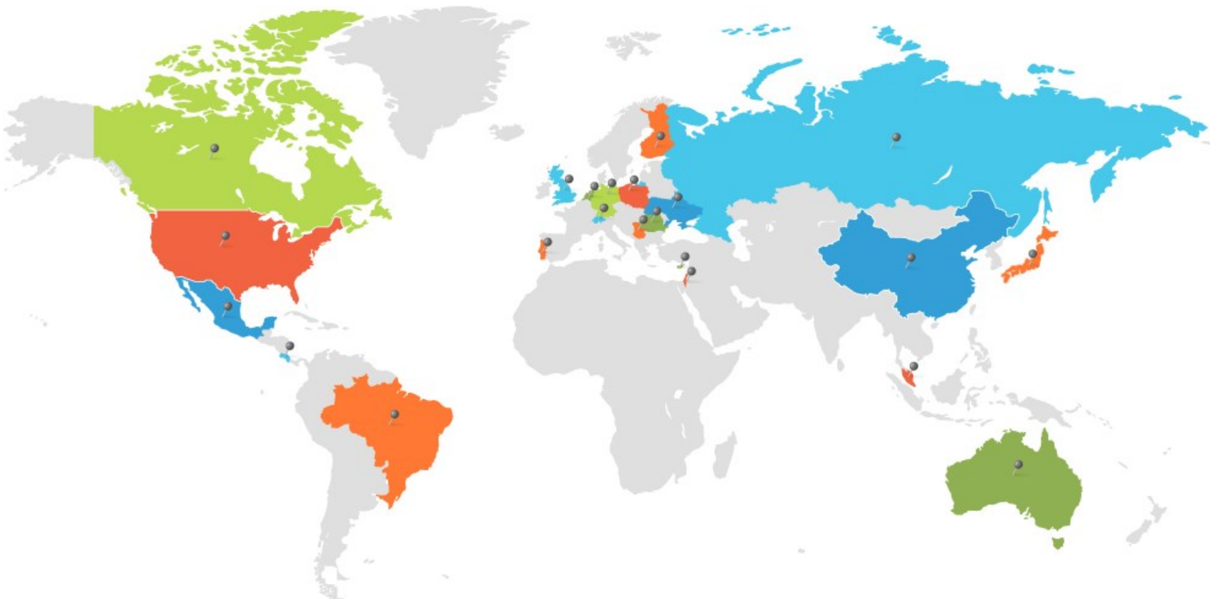
Strauss Water

A leading international company specializing in high-quality purified drinking water solutions. Strauss Water's primary markets are Israel, the UK and China.

International Dips and Spreads

The segment includes three international brands (Sabra, Obela and Florentin) in a joint venture with PepsiCo, which lead the development and growth of the category. The companies is active in North America, Australia, Mexico, Germany, New Zealand and other countries.

Global presence



Strauss Israel
Israel

Strauss Coffee
Israel
Holland
Brazil
Romania
Switzerland
Poland
Serbia
Germany
Ukraine
Russia

Strauss Water
Israel
China
UK

International Dips and Spreads
US
Holland
Australia
Mexico
Canada

Collaborations and innovation

Strauss is a party to collaborations with several leading multinational corporations such as Danone, PepsiCo, Haier and Virgin.

In 2015 the Group launched the technology incubator, "The Kitchen", as part of the Israel Innovation Authority's Technological Incubator Program. The incubator's goal is to boost Israeli FoodTech by investing in early-stage technological ventures, which offer solutions to the global food industry.

Since its establishment, the incubator has invested in 20 companies, some of which have completed product development, commenced initial sales and raised further investments. The Company participated in several of the funding rounds at amounts that are immaterial to the Company.

Summary of Q2 2021 Financial Performance

All financial data in this section are based on the Company's non-GAAP financial reports:

NIS
2,132 million
Net sales

10.9%
Organic growth
(excluding foreign currency effects)

37.3%
Gross profit margin

NIS
212 million
Operating profit

-3.7%*
Organic change in operating profit (excluding foreign currency effects)

10.0%
Operating profit margin

NIS
296 million
EBITDA

-2.8%
change in EBITDA (excluding foreign currency effects)

NIS
130 million
Operating cash flow

NIS
126 million
Net income attributable to shareholders

-6.3%
Growth in net income attributable to shareholders

NIS
66 million
Free cash flow

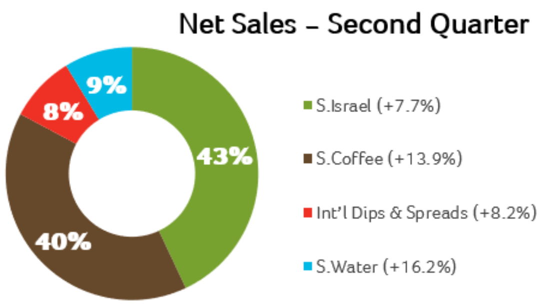
NIS
1.08
Earnings per share

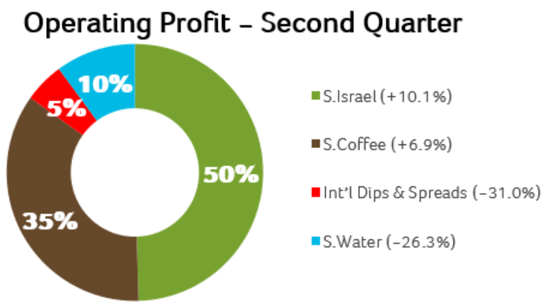
-6.5%
EPS growth

* Excluding foreign currency effects and the one-time development grant received in China in the second quarter last year, organic growth in operating profit was 1.2%.

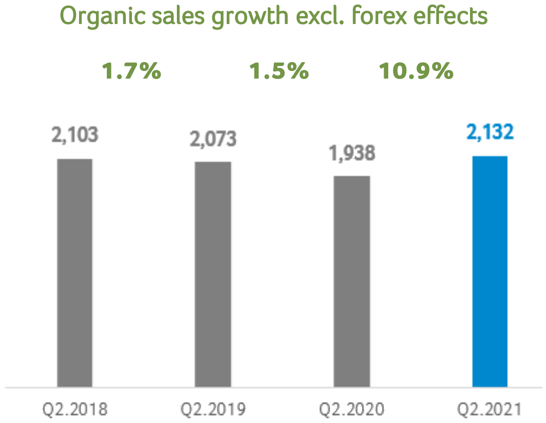
Selected financial data for for the half-year and quarter ended June 30, 2021 and 2020

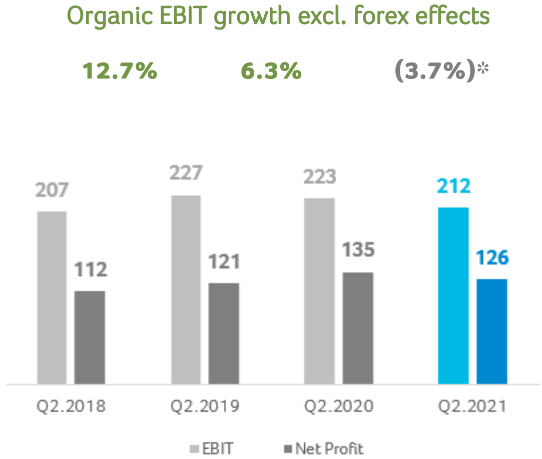
	H1/2021	H1/2020	% Change	Q2/2021	Q2/2020	% Change
Sales	4,193	4,106	2.1%	2,132	1,938	10.0%
Organic growth excluding foreign currency effects	5.0%	4.9%		10.9%	1.5%	
Gross profit – non-GAAP	1,607	1,621	(0.9%)	795	743	6.9%
% of sales	38.3%	39.5%		37.3%	38.4%	
Total operating expenses	1,144	1,150	(0.5%)	587	536	9.4%
Company's share of profit of equity-accounted investees	38	20	88.3%	4	16	(73.5%)
Operating profit – non-GAAP	501	491	1.9%	212	223	(5.0%)
% of sales	11.9%	12.0%		10.0%	11.5%	
Net financing expenses	(28)	(63)	(55.7%)	(26)	(47)	(44.3%)
Income before tax – non-GAAP	473	428	10.4%	186	176	5.6%
Income tax	(105)	(87)	19.2%	(42)	(21)	91.0%
Income for the period – non-GAAP	368	341	8.1%	144	155	(6.6%)
Income attributable to shareholders	332	306	8.7%	126	135	(6.3%)
% of sales	7.9%	7.4%		5.9%	6.9%	
Income attributable to non-controlling interests	36	35	3.0%	18	20	(8.6%)
EPS (NIS)	2.86	2.64	8.4%	1.08	1.16	(6.5%)





* Organic percentage change excluding effect of exchange differences on translation into shekels.





Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

* Excluding foreign currency effects and the one-time development grant received in China in the second quarter last year, organic growth in operating profit was 1.2%.

Definitions

In all of the following chapters, the following terms will have meanings indicated below:

“Strauss” / the “Company"	Strauss Group Ltd.
“Strauss Group” / the “Group”	Strauss Group Ltd. and companies controlled by it, including joint control.
“Strauss Holdings”	Strauss Holdings Ltd.
“Controlling shareholders”	For information, see section 1.1 in the Description of the Company’s Business Report for the Year 2020.
“Strauss Coffee”	Strauss Coffee B.V.
“São Miguel”	São Miguel Holding e Investimentos S.A.
“Três Corações (JV)”	A joint venture in Brazil, held by the Group (50%) and by a local holding company, São Miguel Holding e Investimentos S.A. (50%).
“Sabra”	Sabra Dipping Company LLC.
“Obela”	PepsiCo-Strauss Fresh Dips & Spreads International GmbH.
“Florentin”	Florentin B.V., a wholly-owned subsidiary of Obela.
“Danone”	Compagnie Gervais Danone S.A. of France.
“PepsiCo” / “PepsiCo, Inc.”	The North American multinational food, snack and beverage corporation.
“PepsiCo Europe”	PepsiCo Investments (Europe) I B.V., a PepsiCo subsidiary.
“PRB”	PRB Luxembourg, a PepsiCo subsidiary.
“Haier”	Haier Group Corporation of China.
“VSW”	A joint venture, Virgin Strauss Water UK Ltd.
“VEL”	Virgin Enterprises Ltd.
“HSW”	Qingdao HSW Water Appliance Co. Ltd.
The “Stock Exchange” / “TASE”	The Tel Aviv Stock Exchange Ltd.

The "Financial Statements"	The financial statements of the Company, as defined in section 5 of the Description of the Company's Business Report for the Year 2020.
The "Non-GAAP Reports" / "Non-GAAP Management Reports"	The Company's non-GAAP reports, as defined in section 5 of the Description of the Company's Business Report for the Year 2020.
The "Milk Law"	The Milk Sector Planning Law, 2011.
The "Packaging Law"	The Packaging Treatment Regulation Law, 2011.
The "Food Law"	The Promotion of Competition in the Food Sector Law, 2014.
"StoreNext"	StoreNext is engaged in the measurement of the fast-moving consumer goods (FMCG) segment in the barcoded retail market (which includes the large food chains, private barcoded minimarkets and independent retail chains).
"Nielsen"	Nielsen Holdings plc is a leading global data and analytics company, which, to the best of the Company's knowledge, is active in 110 countries, including Israel.
"Euromonitor"	Euromonitor International is a provider of strategic market research, creating data and analysis on products and services around the world.
"ICE"	Intercontinental Exchange, Inc. (ICE) is a provider of commodity data, which generates and provides analyses of commodities. https://www.theice.com/index

Strauss Group LTD.

Description of the Corporation's Business

UPDATE OF THE CHAPTER DESCRIPTION OF THE COMPANY'S BUSINESS IN THE PERIODIC REPORT OF STRAUSS GROUP LTD. (HEREINAFTER: THE "COMPANY") FOR THE YEAR 2020[1] (HEREINAFTER: THE "PERIODIC REPORT")

In accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970, following is a description of material developments that occurred in the Company's business in the six months ended June 30, 2021 and through to the publication date of the report, which have not yet been disclosed in the Periodic Report. This update refers to the numbers of the sections appearing in the chapter Description of the Company's Business as well as to the numbers of regulations in the chapter Additional Information on the Company in the Company's 2020 Periodic Report ("**Description of the Company's Business Report**" and "**Additional Information Report**", respectively), and is presented according to the order of the sections in said reports. It is noted that the terms used in this chapter shall have the meaning ascribed to them in the Periodic Report, unless expressly stated otherwise.

1. Section 4 in the Description of the Company's Business Report, Dividend Distribution

On March 21, 2021 the Board of Directors of the Company approved the distribution of a cash dividend to shareholders of the Company. For information on said dividend distribution, see the Immediate Report of March 22, 2021, as supplemented on March 25, 2021 (reference no. 2021-01-040467 and 2021-01-047142, respectively), and also Note 4.1 to the Condensed Consolidated Interim Financial Statements of the Company as at June 30, 2021.

2. Section 15 in the Description of the Company's Business Report, Research and Development

On July 6, 2021, Aleph Farms Ltd. ("**Aleph Farms**"), whose shareholders are the Company and The Kitchen Hub Limited Partnership ("**The Kitchen**"), which is controlled by the Company, entered into investment agreements against the allotment of its shares. On July 26, 2021, the transaction was closed. As a result, the Company recognized a gain on the decrease in the holding of the Company and The Kitchen in Aleph Farms, an equity-accounted investee, and the Company will recognize a gain of approximately NIS 58 million on its financial statements for the third quarter of 2021. For further information, see the Immediate Reports of July 7, 2021 and July 27, 2021 (reference no. 2021-01-113565 and 2021-01-058243, respectively).

1 As published on March 22, 2021 (reference no. 2021-01-040482).

3. Section 17 in the Description of the Company's Business Report, Financing

Section 17.4, Credit rating

On April 7, 2021 the Company announced the reaffirmation of Standard & Poor's Maalot's ilAA+ rating with stable outlook. For further information, see the Immediate Report of April 7, 2021 (reference no. 2021-01-059160).

On May 20, 2021 the Company announced the reaffirmation of Midroog's Aa1.il rating with stable outlook for the Company's Series E and Series F debentures. For further information, see the Immediate Report of May 20, 2021 (reference no. 2021-01-028198).

4. Section 22 in the Description of the Company's Business Report, Legal Proceedings

For updates, see Note 6 to the Condensed Consolidated Interim Financial Statements of the Company as at June 30, 2021.

5. Regulation 22 in the Additional Information Report, Transactions with a Controlling Shareholder

For information on the employment of Mr. Rotem Strauss (a relative of the controlling shareholder) by the Company as part of the Company's summer internship program in accordance with regulation 1b(4) of the Companies Regulations (Relief for Transactions with Interested Parties), 2000, see the Immediate Report published simultaneously with this report.

6. Regulation 26A in the Additional Information Report, Senior Officers

On May 9, 2021, Mr. Ronen Zohar assumed the office of Deputy CEO of Strauss Group. On said date, Ms. Esti Carmeli assumed the office of CEO of Strauss Water. For further information, see the Immediate Report of May 25, 2021 (reference no. 2021-01-089340).

On July 8, 2021, Mr. Joey Bernstein assumed the office of President & CEO of Sabra and Obela. For further information, see the Immediate Report regarding the status of senior officers, which is published simultaneously with this report.

7. Regulation 29 in the Additional Information Report

On June 30, 2021, the Special General Meeting of Shareholders of the Company approved the appointment of Ms. Tzipi Ozer-Armon, who was appointed by a resolution of the Board of Directors of October 28, 2020, as a director of the Company. On the same date, the Meeting of Shareholders also approved the grant of a letter of exemption to Mr. Adi Strauss, who is among the controlling shareholders of the Company, for a period of three years commencing on the date of approval by the General Meeting, and the correction of a clerical error in the financial targets in the Remuneration Policy for officers of the Company. For further information, see the Immediate Reports of May 25, 2021 and July 1, 2021 (reference no. 2021-01-089310 and 2021-01-110259, respectively).

Date: August 16, 2021

Names and titles of signatories:

Ofra Strauss, Chairperson of the Board of Directors

Giora Bardea, Chief Executive Officer

Strauss Group Ltd.

Strauss Group LTD.

Board of Directors' Report to the Shareholders

as at June 30 ,2021

Table of Contents: Board of Directors' Report to the Shareholders

EXPLANATIONS BY THE BOARD OF DIRECTORS REGARDING THE COMPANY'S BUSINESS POSITION

1. General

The Board of Directors of Strauss Group Ltd. respectfully submits herewith the Board of Directors' Report for the second quarter of 2021 in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

The review presented below is limited in scope and refers to events and changes that occurred in the state of the Company's affairs in the reporting period, which have a material impact, and should be read together with the chapter Description of the Company's Business in the Periodic Report as at December 31, 2020, the Financial Statements and the Board of Directors' Report on the Company's Business Position for the year then ended, as published on March 22, 2021 (reference no. 2021-01-040482) (the "2020 Periodic Report").

2. Principal Information from the Description of the Company's Business

2.1 Overview of the operating segments in 2021

The Group is active in six operating segments that are disclosed as reportable segments, as described in Note 27 to the Financial Statements of the Company as at December 31, 2020. Four of these segments are concentrated under two main frameworks: the Israel Operation and the Coffee Operation[1].

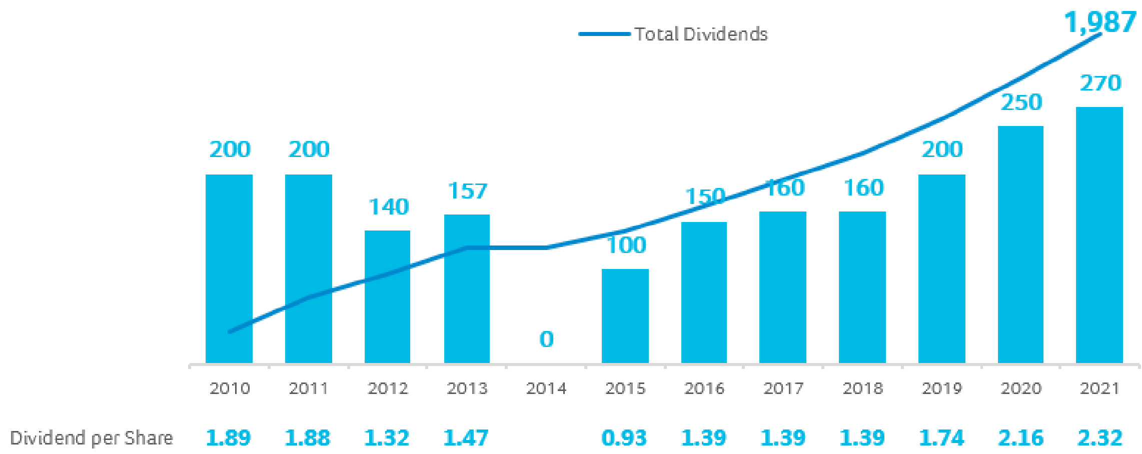
2.2 Dividends

Decisions regarding the payment of dividends are made by the Company's Board of Directors. The frequency and amount of distributions are based on the Group's business results and according to its needs.

[1] In addition to the operating segments described above, the Group has various activities that are immaterial to its business, which fall short of the quantitative threshold for presentation in the Financial Statements of the Company as reportable segments or the criteria for aggregation and separate presentation as a reportable segment; these are included in the Financial Statements as at December 31, 2020 as the "Other Operations" segment.

Since 2010 through to the present, the Company has distributed dividends amounting to approximately NIS 2 billion. The following figure presents data on dividends paid in recent years:

Dividend Payouts, Annual and Total, in 2010-2021



* Figures are in NIS millions.

On March 21, 2021 the Board of Directors of the Company approved a dividend distribution to shareholders at an amount of NIS 270 million (approximately NIS 2.32 per share), which was paid on April 13, 2021.

The balance of retained earnings on the date of the statement of financial position is approximately NIS 3,187 million.

CHANGES IN THE ECONOMIC ENVIRONMENT

3. Outbreak of the COVID-19 pandemic

3.1 General

Group Management continues to manage the event and to assess and manage the risks on an ongoing basis in all countries of operations, since due to its nature this is an unfolding event that is evolving and changing constantly, sometimes on a daily basis. On the date of this report and throughout the past quarter as well, the Group's manufacturing and logistics facilities in all countries of operations have continued to operate regularly. The Group has cooperated and continues to cooperate closely with its suppliers and customers to ensure that the supply chain is able to meet the continuing high demand observed in the second quarter.

In the second quarter of 2021 the Group continued to take action to preserve financial stability and flexibility and ensure adequate liquidity in all geographies. The Group also continued to invest in the establishment of new manufacturing facilities in Israel and other countries, in advanced technology, in reviewing mergers and acquisitions, in the development of brands, categories and segments with growth potential, including various dairy alternatives, health products, fresh foods, coffee capsules, and deepening its penetration of the point of entry (POE) market in China. After the date of the statement of financial position, the Group also launched a new category in Israel in frozen meals and signed an agreement for the acquisition of the controlling interest (51%) in Wyler Farms, which is active in the manufacture and marketing of tofu products. The Group continues to explore various business opportunities and to prepare for possible challenges.

3.2 Impacts of the COVID-19 outbreak on the Group's business and business results in the second quarter through to the publication date of this report

The impacts of the outbreak vary substantially between geographies, product categories and sales channels, as well as due to the timing of the waves of the pandemic and the extent of its containment in each geography, the timing and scope of vaccination, the restrictions imposed on businesses and their effect on consumer behavior. The second quarter was marked by continued efforts to cope with the pandemic and its rise in certain geographies, after an improvement was noted in the prior quarter following increased vaccination rates in a number of territories.

Following are the main occurrences observed in this period:

Consumer behavior – In the second quarter the Israeli economy continued to open up, and virtually returned to full activity following the success of the national vaccination campaign. In the other geographies as well, most of the restrictions on movement and social distancing were removed following the vaccination campaigns. At-home consumption in most regions remains high compared to the pre-COVID period, but in some regions is lower than that observed in the second quarter of 2020. A number of behavioral characteristics that emerged when the pandemic broke out persisted in the second quarter of 2021, albeit to a lesser extent than prior quarters, including continued growth in at-home consumption of food and beverages and continued growth in online shopping. In parallel, away-from-home (AFH) consumption and consumption in the institutional market – hotels, restaurants and entertainment venues – have continued to recover, and there has been in improvement in purchases of impulse products and other products intended for AFH consumption.

<u>Geographies</u> – In the second quarter, growth in the Group's sales in **Israel** increased, among other reasons thanks to a gradual improvement in the AFH channel as the number of vaccinated people rose and the Israeli economy opened up after the lockdown ended in March. It is noted that in July 2021, the number of people infected with the Delta strain increased considerably, and at the present time, there is uncertainty as to the continued opening up of the economy and lifting of restrictions.

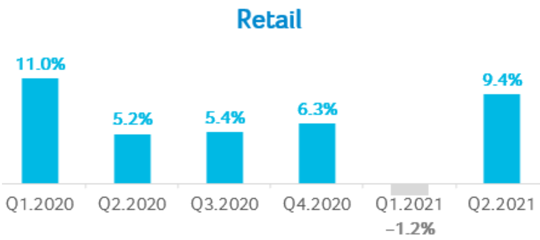
In the **US**, sales growth was recorded as a result of the opening of AFH channels and the increase in sales of products intended for AFH consumption. Sabra's sales rose in the second quarter compared to the corresponding period despite ongoing challenges in maintaining supply chain continuity due to the outbreak of the pandemic.

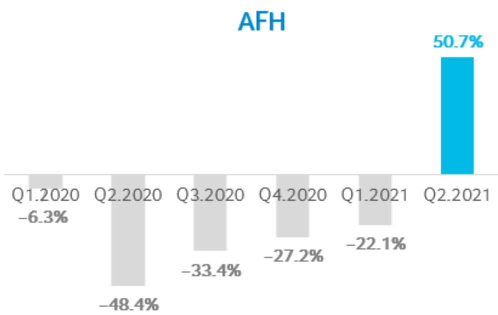
In **Eastern Europe and Brazil**, local currency sales grew. In **China** and the **UK**, sales of water bars increased in local currency. The trend of recovery in China's economy has continued even more strongly. It is noted that in most countries of operations vaccination against the virus continues; however, whereas in Israel and the US vaccination rates are relatively high, in Brazil, Russia and Ukraine, despite efforts, the rate of those vaccinated remains relatively low.

<u>Product categories</u> – In the second quarter, the growth trend in demand for the Group's products in Israel continued compared to the corresponding period last year. In Health & Wellness as well as in Fun & Indulgence, a growth trend was observed in the quarter as the economy resumed activity and AFH consumption increased. Sabra products in the US recorded a slight increase in sales.

<u>Sales channels</u> – In the second quarter, as the economy continued to open up and social distancing restrictions were lifted, there was a significant improvement in sales to the institutional and AFH market such as hotels, cafés (including the Elite Café chain), restaurants and open air markets, and in impulse sales of products sold at convenience stores. In Israel, the Group's sales to retail chains grew substantially. In the second quarter, the Elite Café chain's points of sale continued to open gradually. Cafés and restaurants reopened in all countries of operations.

Following is the trend of the Group's quarterly sales by sales channel, compared to the corresponding periods last year*:





* Excluding the translation differences effect

Impact on the Group's business units

Strauss Israel – With the lifting of the lockdown in Israel at the end of the first quarter and as the restrictions were lifted during the second quarter, demand for products for at-home consumption remained relatively high compared to the pre-COVID period, in parallel to growth in AFH consumption. Demand for Fun & Indulgence products grew significantly compared to the corresponding period, during most of which a lockdown was imposed. Online (e-tail) sales, mainly via the various retail platforms on which the Group's products are sold, also continued to grow. In the second quarter and thereafter (through to the reporting date), demand for the Group's products has remained high. In this quarter as well, most of the manufacturing sites, the supply chain and the accompanying value chain continued to operate regularly and continuously, other than during Operation "Guardian of the Walls", when the Company experienced localized challenges in production and the supply chain. Supply chain costs, manufacturing costs and raw material prices continued to rise compared to costs prior to the outbreak of the pandemic due to the world recovery trend and a sharp rise in international shipping costs, as well as continuing additional manufacturing costs due to the costs of personal hygiene, separation of shifts, support of production and front-line employees and contribution to the community.

Strauss Water – Israel – In the second quarter sales of water bars increased and the company's customer base grew. At the end of the second quarter, the new water bar, tami4edge, was launched. In addition, the company's costs as a result of the global impacts of COVID-19 continued to rise, mainly costs of spare parts and international shipping.

China – In the second quarter, the company's sales and profit in local currency continued to recover.

In the UK – In the second quarter the company's sales grew compared to the corresponding period last year.

Strauss Coffee – In the reporting period the company achieved sales growth in most geographies, recording double-digit growth in several regions. In most geographies the economy opened up and cafés and restaurants resumed activity, with a resulting positive effect on AFH sales. Increased demand was experienced mostly for premium products – capsules and roasted coffee beans. The growth trend in online sales also continued.

In terms of costs, shipping and transportation prices continued to rise in the second quarter. The coffee company's supply and distribution chain was operational throughout the quarter, and at the date of this report is operating fully and regularly. It is noted that the Group has made preparations to contend with the temporary local shutdown of coffee plants through a backup plan for the supply of coffee from the Group's coffee production sites in other countries.

International Dips & Spreads – In the second quarter Sabra's sales rose slightly compared to the second quarter of 2020, despite ongoing supply chain challenges. The AFH market continued to recover slowly. In terms of costs, the growth in wage costs due to incentives and support for production, operations and sales employees continued, as did high supply chain costs. Obela saw an increase in sales of dip products following growth in demand.

3.3 Future estimates

As demonstrated by the foregoing, at the date of this report, the COVID-19 outbreak and the beginning of the fourth wave in a number of geographies have had no material adverse effect on the Group's business position and the results of its operations, other than the continuing increase in international shipping costs and the rising cost of part of the Group's raw materials. In Sabra, results continue to be impacted by rising supply chain costs and increased production costs. Due to the great uncertainty involved in the pandemic and as to the period in which it will persist, the Company is unable, at the present time, to assess the extent of the future impact on its business position. As the countries of operations continue to emerge from lockdowns, a drop in demand for the Group's products for at-home consumption is possible compared to the period in which the pandemic broke out. In some regions, a gradual return to business in the institutional market and AFH sales channels has been observed as the number of people who have been vaccinated increases, but this improvement may be adversely affected as a result of the fourth wave of the pandemic.

The information contained in this report with respect to the COVID-19 outbreak, including the Company's estimates with regard to the scenarios of future impacts, the Company's ability to maintain financial stability and flexibility and persevere in activities such as reviewing M&A, brand development, etc., is forward-looking information as defined in the Securities Law, which is based on the information available to the Company on the date of the report and includes the Company's estimates on the reporting date. Actual results may differ materially from those anticipated, inter alia as a result of possible future developments, including the state of the markets in which the Company operates, changes in consumption habits, etc., as described above.

4. Prices of Raw Materials and Other Production Inputs

A substantive part of the raw materials used to manufacture the Group's products are traded on the commodities markets. In the first half of 2021 and in the second quarter (to a greater extent), the average market prices of part of the Group's raw materials rose significantly compared to the corresponding periods last year, including the prices of green coffee, sugar, sesame and seeds, and by contrast, the prices of cocoa, honey, polystyrene and plastic bottles (packaging materials) dropped. At the beginning of the third quarter of 2021 the price of raw milk ("target price") was revised upward by approximately 0.8% for the months of July-September 2021, further to an increase of 7.4% in the first half.

In addition, proximate to the date of publication of the report, following adverse weather conditions in Brazil, world prices of green coffee have risen substantially (for further information, see section 16.2 below).

Furthermore, in the past year and in the recent period in particular, the world supply chain has been adversely affected by a shortage of containers used to ship goods from China to western countries, by the incident involving the blockage of the Suez Canal and delays in discharging containers at the ports, including in Israel, and there has also been a sharp rise in shipping costs.

The Group is taking steps to mitigate the effects of the increase in input prices as described above, among other things through hedges, mitigation plans and operational efficiency enhancement. Additionally, in certain geographies and products the Group has revised sales prices to its customers.

The Company's green coffee procurement center in Switzerland provides for all companies in the Group (except for the operation in Brazil). To manage exposure to market risks, the Group uses transactions in derivatives traded on the financial markets in New York and London. The use of these instruments is the responsibility of the manager of the procurement office in Switzerland in the framework of guidelines defined from time to time by the corporate green coffee procurement committee, which is managed by the COO of Strauss Coffee and convenes from time to time according to established procedures.

The procurement of green coffee in Brazil is carried out by the local management of Três Corações (JV)[2] according to internal procedures determined by Três Corações (JV)'s board of directors, and is the responsibility of the procurement, export and financial managers of Três Corações (JV).

The Group also has a committee for the management of commodity exposure for its operation in Israel. The committee is managed by the CFO of Strauss Israel.

Gains or losses arising from the economic hedging of commodities are mainly included in the non-GAAP income statement on the date of sale of the inventory to outside parties.

5. Energy Prices

In the first half and second quarter of 2021 the average prices of Brent oil were approximately 55% and 35% higher, respectively, than the average prices in the corresponding periods last year. Since the beginning of the year through to proximate to the date of publication of the report, the price of Brent oil has risen by approximately 36%.

[2] Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. ("**São Miguel**") (hereinafter: "**Três Corações (JV)**"). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

6. Exchange Rate Fluctuations

The impact of the revaluation of the Shekel on the basis of average exchange rates against the Group's main functional currencies in the first half and second quarter of 2021 compared to the corresponding periods last year, particularly the Brazilian Real, Russian Ruble and US Dollar, led to negative translation differences on the income statement. In terms of changes in exchange rates in the first half and second quarter (based on closing prices) the Shekel depreciated against part of the functional currencies, particularly the Brazilian Real, with a positive effect on the Group's equity. In the first half and second quarter some currencies – the Ruble, the Hryvnia and the Real (in the first half only) – weakened against the US Dollar compared to the corresponding periods, whereas others (including the Shekel, Zloty and Leu) appreciated against the Dollar.

The following table presents the average exchange rates **against the Shekel** in the first half and second quarter of the year compared to the corresponding periods last year:

Average Exchange Rates Against the Shekel							
Currency		Average Exchange Rate First Half		% change	Average Exchange Rate Second Quarter		% change
		2021	2020		2021	2020	
United States Dollar	USD	3.267	3.506	(6.8%)	3.265	3.516	(7.1%)
Euro	EUR	3.938	3.861	2.0%	3.933	3.867	1.7%
Ukrainian Hryvnia	UAH	0.118	0.135	(13.0%)	0.118	0.131	(9.4%)
Russian Ruble	RUB	0.044	0.051	(13.4%)	0.044	0.049	(9.7%)
Serbian Dinar	RSD	0.033	0.033	2.0%	0.033	0.033	1.7%
Romanian Leu	RON	0.804	0.802	0.3%	0.799	0.800	(0.1%)
Polish Zloty	PLN	0.868	0.875	(0.9%)	0.868	0.858	1.1%
Brazilian Real	BRL	0.607	0.722	(15.9%)	0.616	0.656	(6.1%)
Chinese Renminbi	CNY	0.506	0.498	1.5%	0.506	0.496	2.1%
Canadian Dollar	CAD	2.620	2.570	1.9%	2.657	2.535	4.8%
Australian Dollar	AUD	2.515	2.305	9.1%	2.507	2.309	8.6%
Mexican Peso	MXN	0.162	0.163	(0.6%)	0.163	0.151	7.9%
Pound Sterling	GBP	4.537	4.420	2.6%	4.562	4.363	4.6%

The following table presents the average exchange rates **against the Dollar** in the first half and second quarter of the year compared to the corresponding periods last year:

Average Exchange Rates Against the Dollar							
Currency		Average Exchange Rate First Half		% change	Average Exchange Rate Second Quarter		% change
		2021	2020		2021	2020	
New Israeli Shekel	ILS	0.306	0.285	7.3%	0.306	0.284	7.7%
Ukrainian Hryvnia	UAH	0.036	0.039	(6.7%)	0.036	0.037	(2.4%)
Russian Ruble	RUB	0.013	0.014	(7.1%)	0.013	0.014	(2.8%)
Serbian Dinar	RSD	0.010	0.009	9.5%	0.010	0.009	9.5%
Romanian Leu	RON	0.246	0.229	7.6%	0.245	0.228	7.5%
Polish Zloty	PLN	0.266	0.250	6.3%	0.266	0.244	8.9%
Brazilian Real	BRL	0.186	0.206	(9.8%)	0.189	0.186	1.2%
Chinese Renminbi	CNY	0.155	0.142	8.9%	0.155	0.141	9.9%
Pound Sterling	GBP	1.389	1.261	10.1%	1.397	1.241	12.6%

Since the beginning of 2021 through to proximate to the date of publication of the report, the Shekel appreciated by approximately 1% against the Brazilian Real, remained unchanged against the US Dollar and depreciated by approximately 1% against the Russian Ruble.

7. Regulatory Developments in Input Prices

In January 2021 the Ministries of Finance and Agriculture signed a sectoral agreement that regulates policy for the local production and import of dairy products to Israel in the coming years. The agreement determines that the raw milk price mechanism (the "target price") will remain unchanged in the next three years, after which the Ministers of Finance and Agriculture will be given the possibility of deciding whether to extend the mechanism for a further two years, until 2026. The agreement further determines that an exemption from customs duties will be granted on the import of cheeses, yogurts and desserts containing up to 5% fat, and customs-exempt quotas for the import of yellow cheese will be raised to 65% over a 5-year period. In the Company's estimate, at the date of this report, the agreement is not expected to have a material effect on its business results.

On August 4, 2021, the Knesset approved in second and third reading the Milk Sector Planning bill . The bill extends the temporary order enabling the Ministers to define a mechanism for revising the minimum price per 1 liter of milk until December 31, 2023 and grants the Ministers the possibility to extend the validity of the temporary order for a further two years. In the Company's estimate, extension of the temporary order will contribute to stability in the Israel milk sector.

The Economic Arrangements Law, which is appended to the State Budget for the years 2022-2023, contains a number of reforms pertaining to various topics. The Company is reviewing the implications of the Law on its financial results. The reforms have not yet been granted legislative approval, and on the date of this report, it is unknown whether they will be approved or in which form.

The information contained in this section, including the estimates that the Milk Sector Planning bill and the reforms in the Arrangements Law are not expected to have a material impact on the Company's business results, is forward-looking information as this term is defined in the Securities Law, which is based on the information available to the Company on the date of this report and includes the Company's estimates on the reporting date. Actual results may differ materially from those anticipated.

RESULTS OF BUSINESS OPERATIONS

8. Overview of the Results of Business Operations

The Group has a number of businesses carried out through jointly controlled entities in which the Company or subsidiaries hold a 50% stake: the coffee business in Brazil (Três Corações (JV)[3]), the dips and spreads business in North America (Sabra Dipping Company), Strauss Frito-Lay Ltd. (the salty snacks business in Israel) and PepsiCo Strauss Fresh Dips & Spreads International, the international dips and spreads business (Obela). To clarify, the above companies are included in the Management (non-GAAP) Reports of the Company according to the holdings of the Company and/or the subsidiaries therein.

According to generally accepted accounting principles, in the financial statements of the Company, the statements of income and statements pertaining to financial position, comprehensive income, changes in equity and cash flows of businesses which are jointly controlled by the companies in the Group and other partners are presented in one separate row ("Profit of equity-accounted investees", and in other reports in the relevant section).

Notwithstanding the foregoing, in light of the method in which Group Management measures the results of the subsidiaries and jointly ventures, in the Management (Non-GAAP) Reports the Group presents the business segments by presenting the Group's relative share of the income and expenses of the jointly controlled entities (50%) as well as other adjustments described below. Presentation of the information in this manner is different to the manner of their presentation in the Audited Financial Statements of the Company.

The next pages present the Non-GAAP Reports, the GAAP Financial Statements and the various adjustments made by Company Management in making the transition from the Company's GAAP Financial Statements to its Non-GAAP Reports.

[3] Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. ("São Miguel") (hereinafter: "Três Corações (JV)"). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Following are the condensed results of business operations (based on the Management (Non-GAAP) Reports) for the half years ended June 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations				
	First Half			Explanation
	2021	2020	% change	
Sales	**4,193**	**4,106**	**2.1%**	Sales growth is largely due to the Health & Wellness division following the increase in sales of dairy products and dairy alternatives, and to the Strauss Water segment as a result of growth in the customer base and in sales of new appliances. The Group's sales in the first half were negatively affected by the appreciation of the Shekel against most of the relevant currencies compared to the corresponding periods last year. For further information, see section 12 below.
Organic growth excluding foreign currency effect	5.0%	4.9%		
Cost of sales	2,586	2,485	4.1%	The drop in gross profit and the gross margin is primarily the result of rising green coffee prices in Brazil and Russia, an increase in the price of raw milk in Israel and in shipping costs, which were partially offset by sales growth and the adjustment of prices for changes in raw material costs and currencies in certain regions. For further information, see section 13 below.
Gross profit – non-GAAP	**1,607**	**1,621**	**(0.9%)**	
% of sales	38.3%	39.5%		
Selling and marketing expenses	881	881	(0.0%)	Selling and marketing expenses remained essentially unchanged. Expenses in the Strauss Israel segment and Strauss Water segment increased following the launch of the tami4edge water bar series and were offset against the International Coffee operation following translation differences, largely due to the weakening of the Brazilian Real.
General and administrative expenses	263	269	(2.1%)	There was no substantial change in the percentage of general and administrative expenses in relation to total sales. Most of the decrease in expenses is due to efficiency enhancement processes and to translation differences, largely due to the weakening of the Brazilian Real.
Total operating expenses	**1,144**	**1,150**		
Company's share of profit of equity-accounted investees	38	20	88.3%	Most of the increase is the result of gains recognized due to a drop in the holding percentage and loss of control of investees in the Group's incubator in the first quarter, which was partially offset by a drop in the profits of Haier Strauss Water (HSW) as a result of a regional development grant of NIS 11 million received in the second quarter last year.
Operating profit – non-GAAP	**501**	**491**	**1.9%**	Most of the increase is the result of the gains recognized by Strauss's incubator and an increase in the operating profit of the Strauss Israel segment, largely due to sales growth. By contrast, a decrease in the operating profit of the Dips & Spreads segment was recorded, largely as a result of the drop in sales to the AFH market in North America. For further information, see section 14 below.
% of sales	11.9%	12.0%		
Financing expenses, net	(28)	(63)	(55.7%)	The decrease in financing expenses is the largely the result of lower interest expenses on debt, financing income in respect of foreign currency derivatives and translation differences, as well as an expense recorded in the corresponding period due to the revision of cash flows of loans following prepayment.
Income before taxes – non-GAAP	**473**	**428**	**10.4%**	
Income tax	(105)	(87)	19.2%	The increase in the effective tax rate in the first half of 2021 is largely the result of the profit mix for tax purposes between the companies in the various countries.
Effective tax rate	22.2%	20.6%		
Income for the period – non-GAAP	**368**	**341**	**8.1%**	Most of the increase is attributed to growth in the operating profit and a decrease in financing expenses, which was partially offset by the increase in tax expenses.
Attributable to the Company's shareholders	**332**	**306**	**8.7%**	
% of sales	**7.9%**	**7.4%**		
Attributable to on-controlling interests	36	35	3.0%	
EPS (NIS)	2.86	2.64	8.4%	

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

Following are the condensed results of business operations (based on the Management (non-GAAP) Reports) for the quarters ended June 30, 2021 and 2020:

Condensed Results of Business Operations				
	Second Quarter			Explanation
	2021	2020	% change	
Sales	**2,132**	**1,938**	**10.0%**	Sales growth is the result of growth in all segments, mainly Strauss Coffee, Strauss Israel and Strauss Water.
Organic growth excluding foreign currency effect	10.9%	1.5%		Sales growth is largely due to growth in the institutional market, in purchases of products intended for away-from-home (AFH) consumption, to a return to social gatherings and the opening of the Elite Café points of sale, all of which were negatively affected following the COVID-19 outbreak in the corresponding quarter last year and the lockdowns in the different countries. For further information, see section 12 below.
Cost of sales	1,337	1,195	11.9%	The increase in gross profit is primarily the result of sales growth as mentioned. The drop in the gross profit margin is largely due to the increase in green coffee prices, in the price of raw milk and in manufacturing and shipping costs. For further information, see section 13 below.
Gross profit – non-GAAP	**795**	**743**	**6.9%**	
% of sales	37.3%	38.4%		
Selling and marketing expenses	456	411	10.8%	Selling and marketing expenses increased in all segments, largely due to low expenses in the corresponding period last year following the outbreak of the pandemic and the lockdowns in the different countries.
General and administrative expenses	131	125	4.8%	The increase is largely due to low expenses in the corresponding period last year as a result of savings in consultation, travel and business entertainment expenses in light of the pandemic.
Total operating expenses	**587**	**536**		
Company's share of profit of equity-accounted investees	4	16	(73.5%)	Most of the decrease is the result of a drop in the profits of Haier Strauss Water (HSW) following a regional development grant of NIS 11 million (the Company's share) received in the second quarter last year.
Operating profit – non-GAAP	**212**	**223**	**(5.0%)**	The decrease in operating profit and the operating profit margin is mainly due to the Strauss Water segment following a regional development grant of NIS 11 million recognized in the corresponding period last year, the International Dips & Spreads segment due to low selling and marketing expenses in the corresponding period, and the Other Operations segment due to savings in consultation, travel and business entertainment expenses following the COVID-19 outbreak. By contrast, the operating profit of the Strauss Israel and Strauss Coffee segments increased as a result of sales growth.
% of sales	10.0%	11.5%		
Financing expenses, net	(26)	(47)	(44.3%)	The decrease in financing expenses is the largely the result of lower interest expenses on debt and an expense of NIS 13 million recorded in the corresponding period last year due to the revision of cash flows of loans following prepayment.
Income before taxes – non-GAAP	**186**	**176**	**5.6%**	
Income tax	(42)	(21)	91.0%	The increase in the effective tax rate in the second quarter is largely the result of the revision of the deferred tax reserve in respect of as yet undistributed profits of certain foreign companies in the corresponding quarter last year and of the profit mix for tax purposes between the companies in the different countries.
Effective tax rate	22.5%	12.5%		
Income for the period – non-GAAP	**144**	**155**	**(6.6%)**	Most of the decrease is attributed to the drop in operating profit. The decrease in financing expenses was offset against the increase in tax expenses.
Attributable to the Company's shareholders	**126**	**135**	**(6.3%)**	
% of sales	**5.9%**	**6.9%**		
Attributable to on-controlling interests	18	20	(8.6%)	
EPS (NIS)	1.08	1.16	(6.5%)	

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

Following are the condensed results of business operations (based on the Management (Non-GAAP) Reports) of the major business segments for the half years and quarters ended June 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations by Operating Segment						
	First Half			Second Quarter		
	2021	2020	% change	2021	2020	% change
Israel						
Net sales	1,891	1,834	3.1%	917	851	7.7%
Operating profit	237	222	6.6%	108	98	10.1%
Coffee						
Net sales	1,599	1,594	0.3%	848	750	13.0%
Operating profit	176	180	(2.2%)	77	73	7.1%
International Dips & Spreads						
Net sales	347	375	(7.5%)	181	178	2.2%
Operating profit	24	37	(35.3%)	11	19	(44.8%)
Water						
Net sales	356	303	17.3%	186	159	16.4%
Operating profit	44	45	(2.6%)	22	30	(26.4%)
Other						
Operating profit	20	7	179.4%	(6)	3	(263.0%)
Total						
Net sales	**4,193**	**4,106**	**2.1%**	**2,132**	**1,938**	**10.0%**
Operating profit	**501**	**491**	**1.9%**	**212**	**223**	**(5.0%)**

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

Following are the condensed GAAP statements of income for the half years and quarters ended June 30, 2021 and 2020 (in NIS millions):

Condensed GAAP Statements of Income						
	First Half			Second Quarter		
	2021	2020	% change	2021	2020	% change
Sales	2,967	2,878	3.1%	1,458	1,333	9.4%
Cost of sales excluding impact of commodity hedges	1,753	1,691	3.6%	875	795	10.0%
Adjustments for commodity hedges(1)	(11)	18		(12)	4	
Cost of sales	1,742	1,709	1.9%	863	799	7.9%
Gross profit	**1,225**	**1,169**	**4.8%**	**595**	**534**	**11.6%**
% of sales	41.3%	40.6%		40.8%	40.0%	
Selling and marketing expenses	649	636	2.2%	328	300	9.8%
General and administrative expenses	207	204	1.6%	103	96	8.0%
Total expenses	**856**	**840**		**431**	**396**	
Share of profit of equity-accounted investees	111	118	(5.8%)	43	70	(37.4%)
Operating profit before other expenses	**480**	**447**	**7.3%**	**207**	**208**	**(0.6%)**
% of sales	16.2%	15.5%		14.2%	15.6%	
Other income (expenses), net	3	-		(1)	1	
Operating profit after other expenses	**483**	**447**	**8.0%**	**206**	**209**	**(1.3%)**
Financing expenses, net	(22)	(57)	(61.6%)	(25)	(47)	(45.7%)
Income before taxes	**461**	**390**	**18.2%**	**181**	**162**	**11.6%**
Income tax	(92)	(73)	25.7%	(33)	(16)	105.9%
Effective tax rate	19.9%	18.8%		18.1%	9.8%	
Income for the period	**369**	**317**	16.5%	**148**	**146**	1.3%
Attributable to: The Company's shareholders	**333**	**282**	**18.4%**	**130**	**126**	**3.0%**
Non-controlling interests	36	35	1.6%	18	20	(9.7%)

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

(1) Reflects mark-to-market as at end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices, and all adjustments necessary to delay recognition of gains or losses arising from commodity derivatives until the date when the inventory is sold to outside parties.

9. Condensed Statement of Financial Position

Following is the condensed GAAP statement of financial position as at June 30, 2021 and December 31, 2020 (in NIS millions):

Condensed GAAP Statement of Financial Position				
	June 30, 2021	Dec. 31, 2020	% change	Explanation
Total current assets	2,166	2,192	(1.2%)	The change is largely due to a decrease in cash and cash equivalents following dividend distributions, which was partially offset by increased inventory due to raw material replenishment and an increase in trade receivables following sales growth.
Of which: Cash and cash equivalents	314	491	(36.2%)	For information on the change in the cash and cash equivalents item, see section 17 below. According to Company policy, these assets are mainly held in liquid deposits.
Total non-current assets	4,385	4,222	3.9%	Most of the change is due to an increase in investments in associates following growth in the profit of investees, and positive translation differences largely due to the appreciation of the Brazilian Real against the Shekel based on exchange rates at period end, which were partially offset by a dividend received.
Total assets	**6,551**	**6,414**	2.1%	
Total current liabilities	1,871	1,833	2.1%	The change is primarily due to an increase in payables following inventory growth, which was partially offset against a dividend paid to shareholders.
Total non-current liabilities	2,143	2,149	(0.3%)	There was no material change in total non-current liabilities in the reporting period.
Total equity attributable to the Company's shareholders	2,382	2,260	5.4%	Most of the change is due to the Company's profits attributable to shareholders and to positive translation differences largely due to the appreciation of the Brazilian Real against the Shekel based on exchange rates at period end, which were partially offset by a dividend paid in the period.
Total equity attributable to non-controlling interests	155	172	(10.1%)	The change is primarily the result of a dividend paid to non-controlling interests, which was partially offset against growth in the profits of investees.

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

Following is the outstanding debt balance as at June 30, 2021 and December 31, 2020 (in NIS millions):

Outstanding Debt				
	June 30, 2021	Dec. 31, 2020	Change	Explanation
Gross debt – Non-GAAP Reports	2,610	2,639	(29)	The increase in net debt is mainly the result of a decrease in cash balances following distribution of a dividend, which was partially offset by EBITDA growth in the reporting period. The gross debt remains essentially unchanged.
Gross debt – GAAP Financial Statements	2,210	2,198	12	
Net debt – Non-GAAP Reports	2,156	1,878	278	
Net debt – GAAP Financial Statements	1,896	1,707	189	

Financial data were rounded to NIS millions.

10. Adjustments to the Management (Non-GAAP) Reports

Adjustments for IFRS 11 – transition from the equity method in the GAAP Financial Statements to the proportionate consolidation method (according to the segmental information based on the Group's internal Management Reports).

Following are the adjustments to the Company's Management (Non-GAAP) Reports for the half years ended June 30, 2021 and 2020 (in NIS millions):

Adjustments to the Management (Non-GAAP) Reports	First Half 2021			First Half 2020		
	Finan-cial State-ments	Change	Propor-tionate consoli-dation method	Finan-cial State-ments	Change	Propor-tionate consoli-dation method
Sales	2,967	1,226	4,193	2,878	1,228	4,106
Cost of sales excluding impact of commodity hedges	1,753	833	2,586	1,691	794	2,485
Adjustments for commodity hedges	(11)	–	(11)	18	–	18
Cost of sales	1,742	833	2,575	1,709	794	2,503
Gross profit	**1,225**	**393**	**1,618**	**1,169**	**434**	**1,603**
% of sales	41.3%		38.6%	40.6%		39.0%
Selling and marketing expenses	649	232	881	636	245	881
General and administrative expenses	207	66	273	204	74	278
Company's share of profit of equity-accounted investees	111	(73)	38	118	(98)	20
Operating profit before other expenses	**480**	**22**	**502**	**447**	**17**	**464**
% of sales	16.2%		12.0%	15.5%		11.3%
Other income (expenses), net	3	–	3	–	(1)	(1)
Operating profit after other expenses	**483**	**22**	**505**	**447**	**16**	**463**
Financing expenses, net	(22)	(6)	(28)	(57)	(6)	(63)
Income before taxes	**461**	**16**	**477**	**390**	**10**	**400**
Income tax	(92)	(16)	(108)	(73)	(10)	(83)
Effective tax rate	19.9%		22.6%	18.8%		21.1%
Income for the period	369	–	369	317	–	317
Attributable to: The Company's shareholders	**333**	**–**	**333**	**282**	**–**	**282**
Non-controlling interests	36	–	36	35	–	35

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

Following are the adjustments to the Company's Management (Non-GAAP) Reports for the quarters ended June 30, 2021 and 2020 (in NIS millions):

Adjustments to the Management (Non-GAAP) Reports						
	Second Quarter 2021			Second Quarter 2020		
	Financial Statements	Change	Proportionate consolidation method	Financial Statements	Change	Proportionate consolidation method
Sales	1,458	674	2,132	1,333	605	1,938
Cost of sales excluding impact of commodity hedges	875	462	1,337	795	400	1,195
Adjustments for commodity hedges	(12)	-	(12)	4	-	4
Cost of sales	863	462	1,325	799	400	1,199
Gross profit	**595**	**212**	**807**	**534**	**205**	**739**
% of sales	40.8%		37.9%	40.0%		38.2%
Selling and marketing expenses	328	128	456	300	111	411
General and administrative expenses	103	33	136	96	34	130
Company's share of profit of equity-accounted investees	43	(39)	4	70	(54)	16
Operating profit before other expenses	**207**	**12**	**219**	**208**	**6**	**214**
% of sales	14.2%		10.3%	15.6%		11.1%
Other income (expenses), net	(1)	-	(1)	1	(1)	-
Operating profit after other expenses	**206**	**12**	**218**	**209**	**5**	**214**
Financing expenses, net	(25)	(1)	(26)	(47)	-	(47)
Income before taxes	**181**	**11**	**192**	**162**	**5**	**167**
Income tax	(33)	(11)	(44)	(16)	(5)	(21)
Effective tax rate	18.1%		23.0%	9.8%		12.8%
Income for the period	148	-	148	146	-	146
Attributable to: The Company's shareholders	**130**	**-**	**130**	**126**	**-**	**126**
Non-controlling interests	18	-	18	20	-	20

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

Additional adjustments to the Management (Non-GAAP) Reports (share-based payment, valuation of hedging transactions, other expenses and taxes referring to those adjustments):

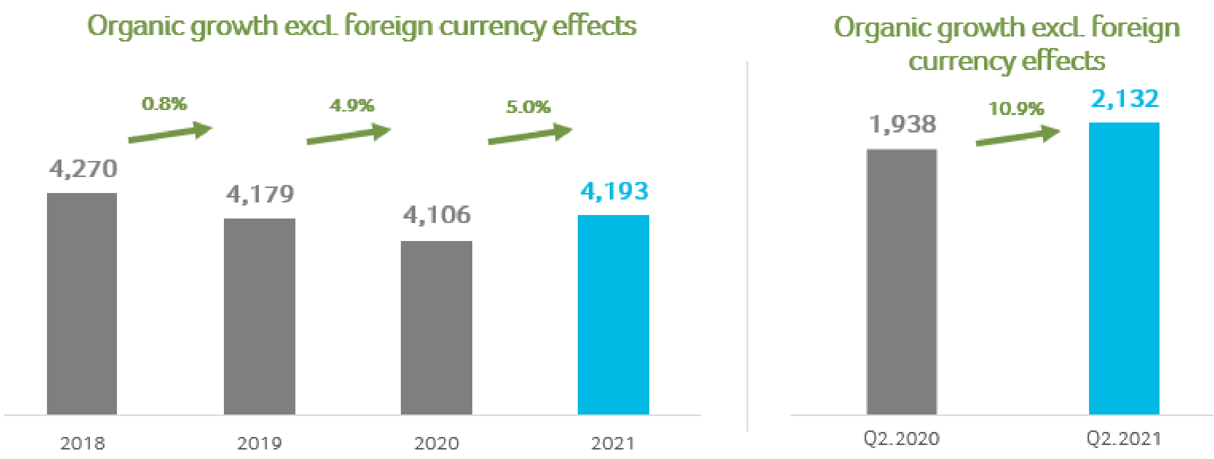
Additional Adjustments to the Management (Non-GAAP) Reports						
	First Half			Second Quarter		
	2021	2020	% change	2021	2020	% change
Operating profit (according to the proportionate consolidation method) after other expenses	**505**	**463**	**8.8%**	**218**	**214**	**1.7%**
Share-based payment	10	9		5	5	
Adjustments for commodity hedges	(11)	18		(12)	4	
Other expenses (income), net	(3)	1		1	-	
Operating profit – non-GAAP	**501**	**491**	**1.9%**	**212**	**223**	**(5.0%)**
Financing expenses, net	(28)	(63)		(26)	(47)	
Income tax	(108)	(83)		(44)	(21)	
Taxes in respect of adjustments to the above non-GAAP operating profit	3	(4)		2	-	
Income for the period – non-GAAP	**368**	**341**	**8.1%**	**144**	**155**	**(6.6%)**
Attributable to: The Company's shareholders	**332**	**306**	**8.7%**	**126**	**135**	**(6.3%)**
Non-controlling interests	**36**	**35**	**3.0%**	**18**	**20**	**(8.6%)**

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

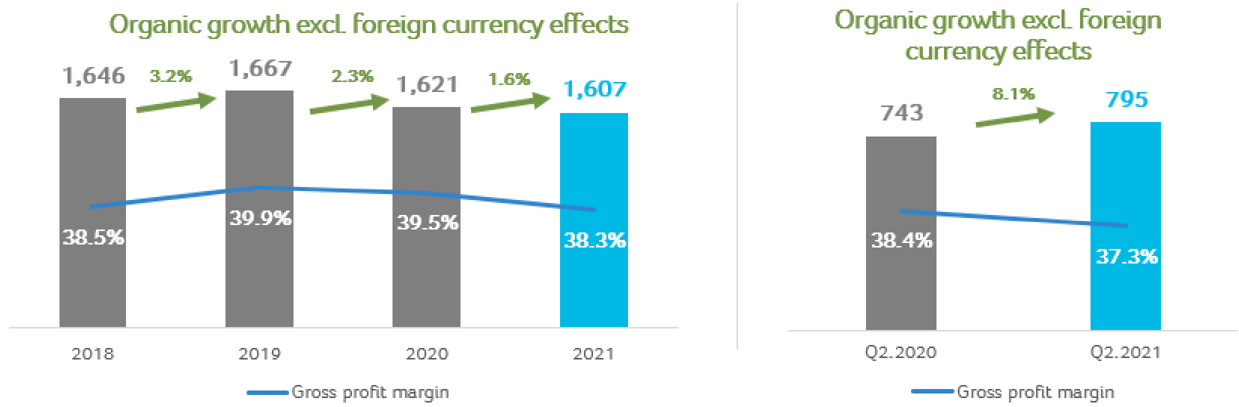
11. Key Comparative Financial Data According to the Non-GAAP Reports

Following are key financial data for the first half and second quarter of 2021, according to the Management (Non-GAAP) Reports:

Net Sales – First Half and Second Quarter

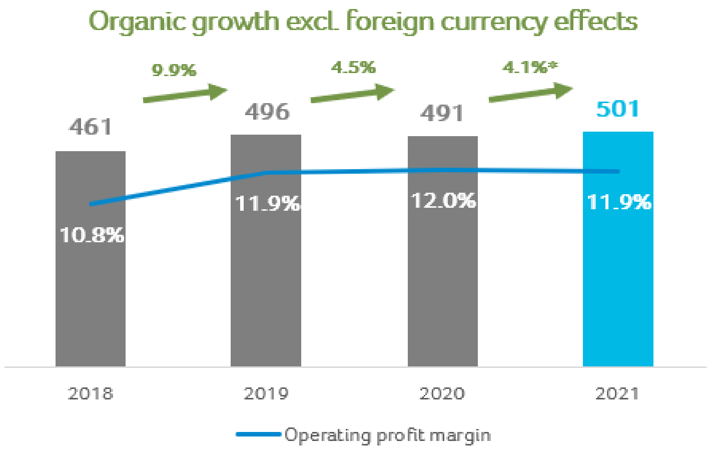


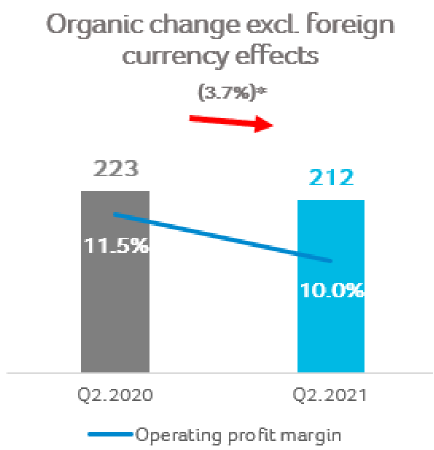
Gross Profit and Gross Profit Margin – First Half and Second Quarter



Financial data were rounded to NIS millions.

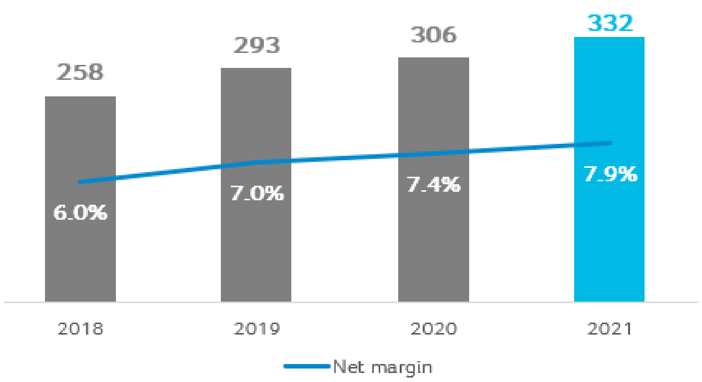
Operating Profit and Operating Profit Margin – First Half and Second Quarter

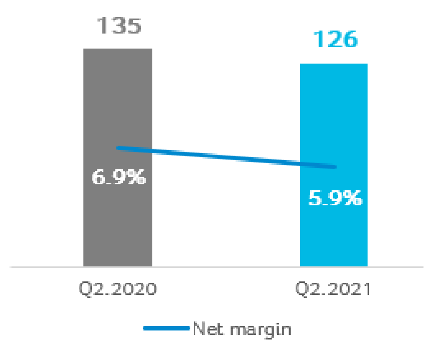




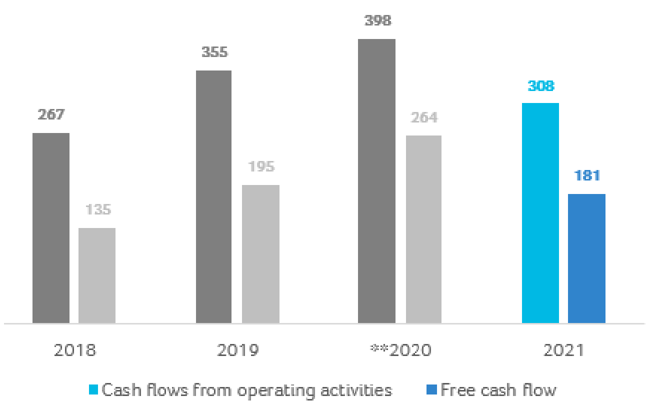
* Approximately 6.5% and 1.2% organic growth excluding foreign currency effects in the first half and second quarter of 2021, respectively, excluding the one-time government grant received in China in the second quarter of 2020.

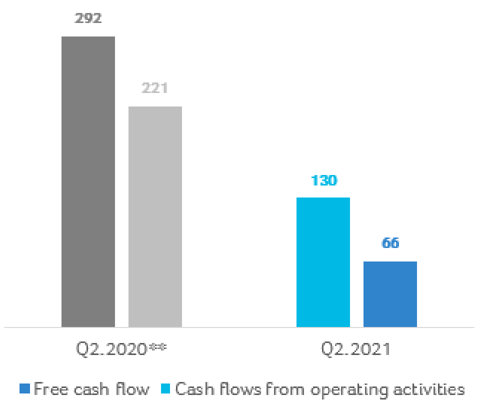
Net Profit and Profit Margin – First Half and Second Quarter





Cash Flows from Operating Activities and Free Cash Flow – First Half and Second Quarter



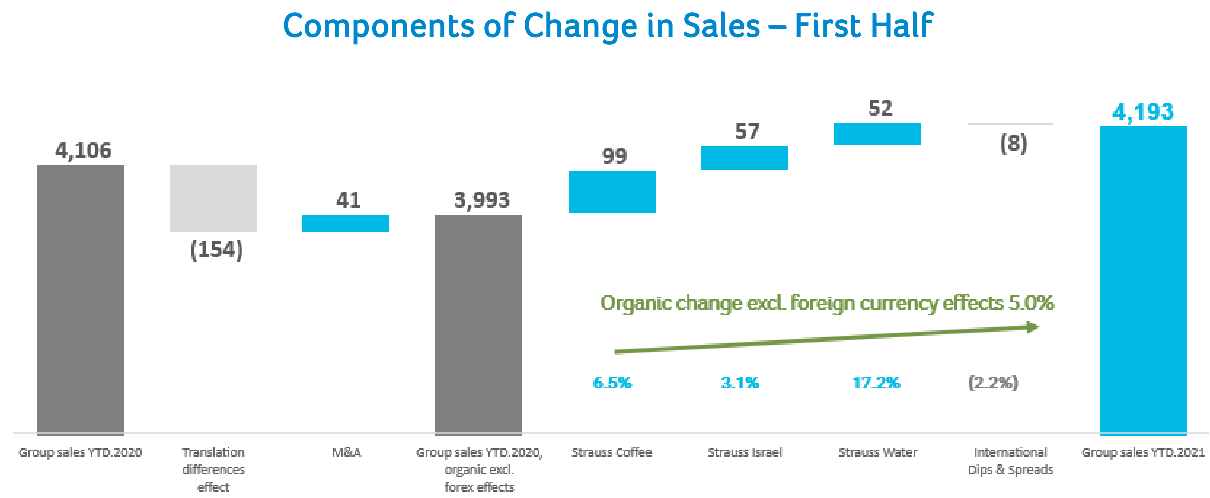


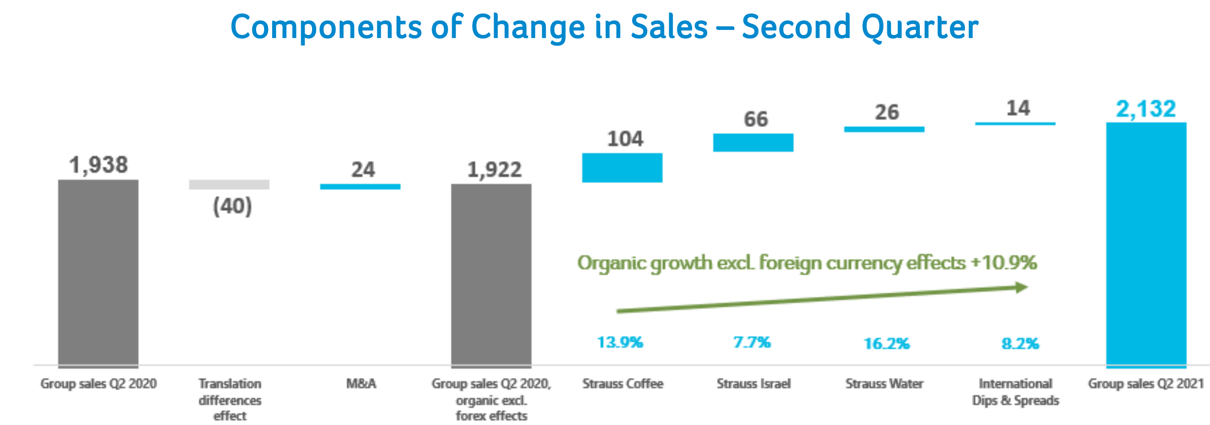
** Restated

Financial data were rounded to NIS millions.

12. Sales – Non-GAAP

Following are the components of the change in sales in the period in local currency and rates of change according to the Group's major activity sectors in local currency, together with the overall impact, mainly of translation differences (the "translation differences effect") and inorganic growth (M&A):





The translation differences effect is calculated according to the average exchange rates in the relevant period.

The Group's sales in the first half of 2021 were impacted by negative translation differences amounting to approximately NIS 154 million, of which NIS 101 million are due to the depreciation of the Brazilian Real against the Shekel compared to the corresponding period last year, and NIS 24 million to the depreciation of the Russian Ruble against the Shekel compared to the corresponding period.

The Group's sales in the second quarter of 2021 were impacted by negative translation differences amounting to approximately NIS 40 million, of which NIS 20 million are due to the depreciation of the Brazilian Real against the Shekel compared to the corresponding period last year, and NIS 8 million to the depreciation of the Russian Ruble against the Shekel compared to the corresponding period.

The change in the Group's sales in **local currency** was the result of the following factors:

- Inorganic growth in the Group's sales (an increase of approximately NIS 41 million in the first half of 2021 and of NIS 24 million in the second quarter compared to the corresponding periods last year) was largely the result of completion of the acquisition of Mitsui Alimentos Ltda. in Brazil.
- See section 16.1 below for further explanations on organic growth in sales by the Strauss Israel segment.
- See section 16.2 below for further explanations on organic growth in sales by the Strauss Coffee segment.
- See section 16.3 below for further explanations on organic growth in sales by the International Dips & Spreads segment.
- See section 16.4 below for further explanations on organic growth in sales by the Strauss Water segment.

13. Gross Profit – Non-GAAP

Gross Profit – Non-GAAP								
	First Half				Second Quarter			
	2021	2020	% change	% organic change less translation differences effect	2021	2020	% change	% organic change less translation differences effect
Gross profit	1,607	1,621	(0.9%)	1.6%	795	743	6.9%	8.1%
Gross profit margin	38.3%	39.5%			37.3%	38.4%		

The Group's non-GAAP gross profit in the first half of 2021 was negatively impacted by translation differences into Shekels, which amounted to approximately NIS 47 million. Most of the translation differences were the result of the depreciation of the Brazilian Real against the Shekel compared to the corresponding period last year (approximately NIS 29 million) (see also the exchange rate table in section 6 in this report).

The Group's non-GAAP gross profit in the second quarter of 2021 was negatively impacted by translation differences into Shekels, which amounted to approximately NIS 12 million. Most of the translation differences were the result of the depreciation of the Brazilian Real against the Shekel compared to the corresponding period last year (approximately NIS 5 million) (see also the exchange rate table in section 6 in this report).

The Group's non-GAAP gross profit in the first half of the year dropped by approximately NIS 14 million, compared to the corresponding period last year;

In the second quarter, the Group's non-GAAP gross profit rose by approximately NIS 52 million compared to the corresponding period last year:

- See section 16.1 below for further explanations on the change in gross profit in the Strauss Israel segment.
- See section 16.2 below for further explanations on the change in gross profit in the Strauss Coffee segment.
- See section 16.3 below for further explanations on the change in gross profit in the International Dips & Spreads segment.
- See section 16.4 below for further explanations on the change in gross profit in the Strauss Water segment.

14. Operating Profit Before Other Expenses – Non-GAAP

Operating Profit Before Other Expenses – Non-GAAP								
	First Half				Second Quarter			
	2021	2020	% change	% organic change less translation differences effect	2021	2020	% change	% organic change less translation differences effect
Operating profit	501	491	1.9%	4.1%	212	223	(5.0%)	(3.7%)
Operating profit margin	11.9%	12.0%			10.0%	11.5%		

The Group's non-GAAP operating profit (EBIT) in the first half rose by approximately NIS 10 million and was adversely affected by negative translation differences into Shekels, which amounted to approximately NIS 13 million (see also the exchange rate table in section 6 in this report).

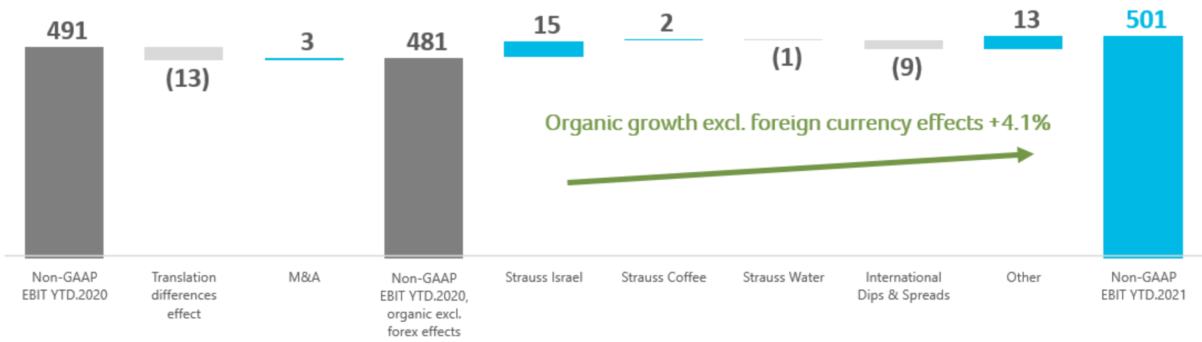
Excluding the one-time government grant of approximately NIS 11 million received in China in the second quarter last year, the Group's non-GAAP operating profit rose in the first half of 2021 by approximately NIS 21 million, reflecting 6.5% organic growth excluding foreign currency effects.

In the second quarter, the Group's non-GAAP operating profit (EBIT) dropped by approximately NIS 11 million and was adversely affected by negative translation differences into Shekels, which amounted to approximately NIS 5 million (see also the exchange rate table in section 6 in this report).

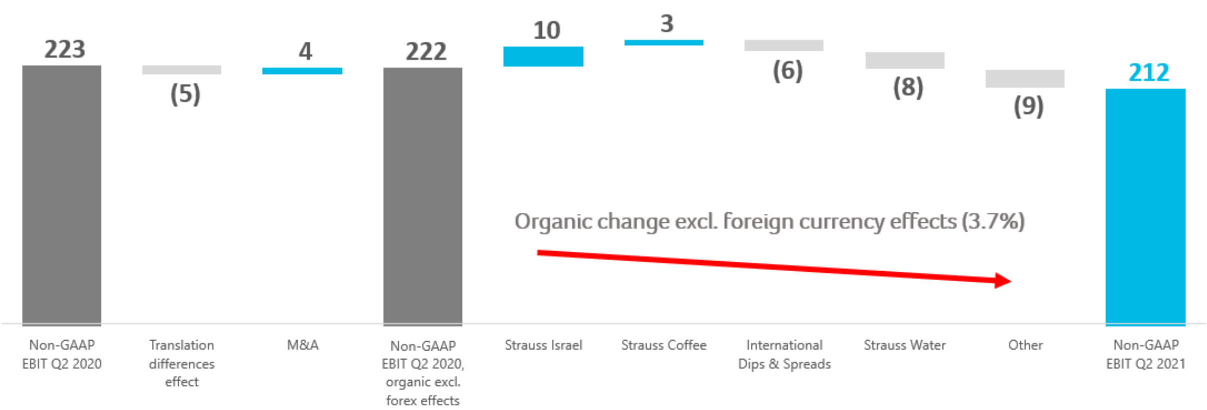
Excluding the one-time government grant of approximately NIS 11 million received in China in the second quarter last year, the Group's non-GAAP operating profit remained unchanged in the second quarter of 2021, reflecting 1.2% organic growth excluding foreign currency effects.

Following are the components of the change in operating profit compared to the corresponding periods last year, according to the Company's major activity segments:

Components of Change in Operating Profit – First Half



Components of Change in Operating Profit – Second Quarter



Financial data were rounded to NIS millions. The translation differences effect is calculated according to the average exchange rates in the relevant period.

- See section 16.1 below for further explanations on the change in operating profit in the Strauss Israel segment.
- See section 16.2 below for further explanations on the change in operating profit in the Strauss Coffee segment.
- See section 16.3 below for further explanations on the change in operating profit in the International Dips & Spreads segment.
- See section 16.4 below for further explanations on the change in operating profit in the Strauss Water segment.

Growth of approximately NIS 13 million in the profit of the Other Operations segment in the first half of 2021 compared to the corresponding period last year is largely due to gains as a result of a decrease in holding rate and loss of control of equity-accounted investees in the Group's incubator.

A decrease of approximately NIS 9 million in the profit of the Other Operations segment in the second quarter of 2021 compared to the corresponding period is largely due to savings in consultation expenses last year following the COVID-19 outbreak.

15. Comprehensive Income for the Period (According to the GAAP Financial Statements)

In the first half of 2021 the GAAP comprehensive income amounted to approximately NIS 417 million, compared to comprehensive income of NIS 76 million in the corresponding period last year. In the reporting period gains from translation differences, which are the main component of other comprehensive income, amounted to approximately NIS 45 million, compared to foreign currency translation losses of NIS 242 million in the corresponding period in 2020.

Foreign currency translation gains in 2021 arose largely from the operations of Strauss Coffee; of said gains, approximately NIS 35 million are the result of the appreciation of the Brazilian Real against the Shekel compared to exchange rates at the end of 2020.

In the second quarter of 2021 the GAAP comprehensive income amounted to approximately NIS 210 million, compared to comprehensive income of NIS 107 million in the corresponding period last year. In the reporting period gains from translation differences, which are the main component of other comprehensive income, amounted to approximately NIS 60 million, compared to foreign currency translation losses of NIS 39 million in the corresponding period last year.

Foreign currency translation gains in the second quarter of 2021 arose largely from the operations of Strauss Coffee; of said gains, approximately NIS 67 million are the result of the appreciation of the Brazilian Real against the Shekel compared to exchange rates at the end of 2020.

16. Analysis of the Business Results of the Group's Major Business Units

16.1 The Group's activity in Israel

Strauss Group is the second-largest company in the Israeli food market, and in the second quarter of 2021, according to StoreNext[4] figures, held a 12.4% share of the total domestic retail food and beverage market in value terms (compared to 12.1% in the corresponding period in 2020), an increase of 0.3% compared to the corresponding period.

Following are sales by all of Strauss Group's businesses in Israel, which include the Health & Wellness and Fun & Indulgence divisions, the coffee business in Israel and Strauss Water Israel (Tami 4):

Information on Strauss Group's Sales in Israel							
	First Half			Second Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
The Group's sales in Israel	2,601	2,491	4.4%	1,257	1,136	10.7%	Sales growth in the first half of 2021 compared to the corresponding period last year is largely due to growth in the Health & Wellness division, mainly in sales of dairy products and dairy alternatives, and in the Strauss Water segment as a result of growth in the customer base and in sales of new appliances. Further, sales growth in the second quarter compared to last year is a result of growth in Israel Coffee sales following the reopening of the Elite Café points of sale, and in the Fun & Indulgence division following increased sales of products intended for AFH consumption and a return to social gatherings after COVID-19 restrictions were lifted, as well as the lockdown in Israel in the corresponding period last year.

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS

In July 2021 the Group entered into an agreement for the acquisition of a 51% stake in Wyler Farms, which is active in the production of tofu. The transaction is subject to the satisfaction of suspending conditions, including approval by the Competition Authority, which, on the date of approval of the Financial Statements, have not yet been completed. For further information, see Note 9.4 to the Condensed Consolidated Interim Financial Statements as at June 30, 2021.

[4] The Strauss Water business is not included in StoreNext's market share measurements.

Following are the condensed results of business operations based on the Management (Non-GAAP) Reports of the Israel Operation by activity segment for the quarters ended June 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations – the Israel Operation							
	First Half			Second Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
Net sales	1,891	1,834	3.1%	917	851	7.7%	Sales growth in the first half and second quarter this year largely originated in the Health & Wellness division due to growth in sales of dairy products and dairy alternatives.
Gross profit	753	738	2.0%	362	342	5.5%	The growth in gross profit is primarily due to sales growth as mentioned. The drop in the gross profit margin is mainly the result of the increase in the price of raw milk and manufacturing costs.
% gross profit	39.8%	40.3%		39.5%	40.3%		
Operating profit	237	222	6.6%	108	98	10.1%	The increase in operating profit and the operating profit margin largely reflects sales growth and an improvement and savings in operating expenses.
% operating profit	12.5%	12.1%		11.7%	11.5%		

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

Condensed Results of Business Operations by Segment – the Israel Operation							
	First Half			Second Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
Health & Wellness							
Net sales	1,303	1,235	5.5%	664	618	7.3%	Sales growth in the Health & Wellness division in the second quarter of 2021 compared to the corresponding period in 2020 is the result of growth in sales volumes in most categories. Most of the growth was in the yogurt, milk and milk beverage categories and due to the start of distribution of Alpro products in Israel.
Operating profit	164	149	10.0%	88	83	5.5%	The increase in operating profit in the second quarter is largely the result of sales growth, whereas the drop in the operating profit margin is mainly due to the increase in the price of raw milk compared to the corresponding period last year.
% operating profit	12.6%	12.1%		13.2%	13.4%		
Fun & Indulgence							
Net sales	588	599	(1.7%)	253	233	8.8%	Sales growth in the Fun & Indulgence division in the second quarter of 2021 compared to the corresponding period last year is largely the result of the recovery of the single-portion candy and snack category for AFH consumption, impulse products and the return to social gatherings.
Operating profit	73	73	(0.3%)	20	15	35.8%	The increase in operating profit is mainly the result of sales growth.
% operating profit	12.3%	12.2%		8.0%	6.4%		

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

16.2 The Coffee Operation

In the past decade, Strauss Coffee has become one of the world's five biggest coffee companies in terms of market share (according to Euromonitor [5]). The Group's coffee brands hold leading positions in Israel and Brazil and have a strong market presence in Romania, Serbia and Ukraine (where the company is ranked in first to third place).

In Brazil (through Três Corações (JV) [6]), Israel, Russia and Eastern European countries, the Group manufactures, markets and distributes a variety of coffee products - roast and ground (R&G) coffee, instant coffee, hot drink powders (such as chocolate and cappuccino powders) and cocoa powders for baking. The Group also markets and distributes coffee machines for home use in Brazil and in Israel. In addition, the Group markets and distributes coffee machines and coffee products for away-from-home (AFH) consumption at hotels, cafés, offices, etc. Furthermore, in Israel the Group is active (through the Elite Café chain) in the sale of coffee products, bakery products and soft drinks at some 65 points of sale countrywide, most of which cater to customers frequenting public places. Additionally, as part of its activity in Brazil (through Três Corações (JV)) the Group purchases, processes and sells green coffee, corn products, plant-based (mainly cashews) dairy alternatives and juice powders.

After Passover, in Israel the Company launched ready-to-drink cold coffee in a can, Cold Brew, under the BeanZ brand.

In the first half of 2021 and in the second quarter (to a greater extent), the average market prices of green coffee rose significantly compared to the corresponding periods last year.

In July 2021, severe frost in Brazil ravaged Arabica plantation areas in the states of Minas Gerais, São Paolo and Paraná, which are the major coffee growing regions in the country. Some of the plantations were caused damage as a result of the harm caused to the crops, which may lead to some producers being forced to uproot the affected coffee plantations. At this stage, it is difficult to assess the damage to crop yields for 2022 and its impact on coffee prices. As a result of the frost, the upward trend in the prices of the various coffee species, which began at the end of 2020, grew stronger. The impact on coffee prices is expected to become fully clear once the weather conditions for entire crop season are known. In 2021, Três Corações (JV) began to implement gradual price increases to compensate for the impact of the rise in green coffee prices. Since the beginning of the year through to the date of approval of the financial statements, Arabica and Robusta green coffee prices have risen by approximately 43% and 33%, respectively.

In addition to the revision of sales prices to its customers, the coffee company is taking steps to further mitigate the impacts arising from the increase in coffee prices by applying the Group's formal hedging policy, mitigation plans and operational efficiency enhancement.

[5] Value market share, excluding mixes, including 100% of Três Corações (JV)'s market share.

[6] Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. ("**São Miguel**") (hereinafter: "**Três Corações (JV)**"). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Following are the condensed results of business operations based on the Management (Non-GAAP) Reports of the Coffee Operation by reportable segments for the half years ended June 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations – The Coffee Operation

	First Half			Explanation
	2021	2020	% change	
Israel Coffee				
Net sales	372	368	1.2%	Sales growth in the first half of 2021 compared to the corresponding period is largely the result of increased sales to the retail market and growth in capsule sales.
Operating profit	85	86	(0.8%)	The drop in operating profit is primarily the result of an increase in raw material prices, which was partially offset by sales growth.
% operating profit	23.0%	23.4%		
International Coffee				
Net sales	1,227	1,226	0.1%	Coffee sales in the first half of 2021 were negatively affected by the appreciation of the Shekel against most of the relevant currencies compared to the corresponding period last year, particularly the Brazilian Real and the Russian Ruble. Growth in local currency coffee sales in most regions largely reflects price increases as a result of the increase in green coffee prices and growth in sales volumes. For further information, see "Strauss Coffee Sales by Major Geographical Regions" in section 16.2.1 below.
Operating profit	91	94	(3.3%)	The change in the operating profit of the International Coffee segment in the first half of 2021 reflects: • A drop in the operating profit of Três Corações (JV) as a result of the increase in green coffee prices following the weakening of the Brazilian Real, which was largely offset by an increase in sales prices. • A drop in operating profit in Russia, mainly as a result of the increase in green coffee prices following the depreciation of the Russian Ruble by a rate that exceeded the increase in sales prices. The operating profit in the first half of the year was negatively affected by the appreciation of the Shekel against the relevant currencies compared to the corresponding period last year.
% operating profit	7.4%	7.7%		
Total Strauss Coffee				
Net sales	**1,599**	**1,594**	**0.3%**	In the first half of 2021 Strauss Coffee's sales grew by NIS 5 million compared to the corresponding period last year. Translation differences into Shekels in the first half had a negative impact on sales by the coffee company and amounted to NIS 134 million, of which the negative effect of the change in the average exchange rate of the Brazilian Real against the Shekel accounted for approximately NIS 101 million.
Organic growth excluding foreign currency effect	**6.5%**	**2.3%**		
Gross profit	**536**	**565**	**(5.1%)**	The decrease in gross profit and the gross profit margin in the first half of the year is the result of an increase in manufacturing costs and in green coffee prices, mainly in Brazil and Russia, which was partially offset by growth in sales volumes and an increase in sales prices. Gross profit in the half was negatively affected by the appreciation of the Shekel against the relevant currencies compared to the corresponding period last year.
% gross profit	**33.5%**	**35.4%**		
Operating profit	**176**	**180**	**(2.2%)**	The decrease in operating profit and the operating margin is largely due to the drop in gross profit and the gross margin, which was partially offset by operational efficiency enhancement.
% operating profit	**11.0%**	**11.3%**		

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

Following are the condensed results of business operations based on the Management (Non-GAAP) Reports of the Coffee Operation by reportable segments for the quarters ended June 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations – The Coffee Operation

	Second Quarter			Explanation
	2021	2020	% change	
Israel Coffee				
Net sales	163	133	22.8%	Sales growth in the second quarter of 2021 compared to the corresponding period last year is largely the result of growth in sales by the Elite Café chain and sales to the institutional and AFH market, which were negatively affected by the COVID-19 outbreak and the lockdown in Israel in the corresponding period.
Operating profit	26	25	7.0%	The increase in operating profit is the result of growth in quantities sold, which was partially offset by an increase in raw material prices and manufacturing costs. The drop in the operating profit margin is mainly due to increased selling and marketing efforts compared to the corresponding period last year.
% operating profit	16.8%	19.2%		
International Coffee				
Net sales	685	617	10.9%	Coffee sales in the second quarter of 2021 were negatively affected by the appreciation of the Shekel against most of the relevant currencies compared to the corresponding period last year, particularly the Brazilian Real and the Russian Ruble. Growth in local currency coffee sales in most regions largely reflects price increases as a result of the increase in green coffee prices and growth in sales volumes. For further information, see "Strauss Coffee Sales by Major Geographical Regions" in section 16.2.1 below.
Operating profit	51	48	7.4%	Growth in the operating profit of the International Coffee segment in the second quarter of 2021 reflects: • Growth in operating profit in the CEE countries in the quarter, largely due to growth in sales volumes. • A drop in the operating profit of Três Corações (JV), mainly as a result of the increase in green coffee prices, which was partially offset by growth in quantities sold and an increase in sales prices. The operating profit in the second quarter of the year was negatively affected by the appreciation of the Shekel against the relevant currencies compared to the corresponding period last year.
% operating profit	7.4%	7.7%		
Total Strauss Coffee				
Net sales	**848**	**750**	**13.0%**	In the second quarter of 2021 Strauss Coffee's sales grew by NIS 98 million compared to the corresponding period last year. Translation differences in the quarter had a negative impact on sales by the coffee company and amounted to NIS 30 million, of which the negative effect of the change in the average exchange rate of the Brazilian Real against the Shekel accounted for NIS 20 million.
Organic growth excluding foreign currency effect	**13.9%**	**(0.8%)**		
Gross profit	**264**	**244**	**8.7%**	The increase in gross profit in the second quarter is mainly the result of growth in sales volumes. The decrease in the gross profit margin in the second quarter is largely due to the increase in green coffee prices and in manufacturing costs. Gross profit in the second quarter was negatively affected by the appreciation of the Shekel against the relevant currencies compared to the corresponding period last year.
% gross profit	**31.2%**	**32.4%**		
Operating profit	**77**	**73**	**7.1%**	The increase in operating profit in the second quarter is mainly the result of the growth in gross profit and was offset by an increase in selling and marketing expenses compared to the corresponding period last year, which was affected by the COVID-19 outbreak. The drop in the operating margin is largely due to the drop in the gross margin and to an increase in operating profit as mentioned.
% operating profit	**9.2%**	**9.7%**		

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

16.2.1 Strauss Coffee sales by major geographical regions

Following are sales by the Coffee Operation in the major geographical regions (not including intercompany sales) and growth rates for the half years ended June 30, 2021 and 2020 (in NIS millions):

Sales by the Coffee Operation in Major Geographical Regions

Geographical region	First Half				Explanation
	2021	2020	% change	% organic change in local currency(1)	
Israel Coffee	**372**	**368**	**1.2%**	**1.2%**	Sales growth in the first half of 2021 compared to the corresponding period last year is largely the result of growth in sales to the institutional market and capsule sales.
International Coffee					
Brazil (Três Corações JV)) (2) (3) - 50%	728	709	2.7%	12.1%	Growth in Três Corações (JV)'s local currency sales is mainly due to growth in green coffee exports, the acquisition of 100% of Mitsui on July 31, 2020 and price increases as a result of the increase in green coffee prices. The Company's sales in the first half of 2021 were negatively affected by the appreciation of the Shekel against the Brazilian Real, by approximately NIS 101 million compared to the corresponding period last year. For further information, see section 16.2.2 below.
Russia and Ukraine	245	260	(5.8%)	7.7%	Most of the increase in local currency sales is the result of growth in quantities sold and a decrease in the volume of commercial activity with part of the Company's customers. The Company's sales in the first half of 2021 were negatively affected by the appreciation of the Shekel against the Russian Ruble and the Ukrainian Hryvnia, by approximately NIS 33 million compared to the corresponding period last year.
Poland	120	136	(11.7%)	(10.8%)	Most of the drop in local currency sales compared to the corresponding period in 2020 is the result of a drop in quantities sold, mostly to the retail market, as a result of a temporary drop in sales to a certain customer following commercial negotiations. It is noted that in the course of the second quarter, sales to said customer resumed. The Company's sales in the first half of 2021 were negatively affected by the weakening of the Polish Zloty against the Shekel, by NIS 1 million compared to the corresponding period last year.
Romania	79	71	11.2%	11.0%	Growth in local currency sales is mainly the result of growth in sales volumes. The outbreak of COVID-19 in the corresponding period last year negatively impacted sales in the second quarter of 2020. The Company's sales in the first half of 2021 were not materially affected by exchange rates compared to the corresponding period last year.
Serbia	55	50	10.6%	8.5%	Growth in local currency sales is mainly the result of growth in sales volumes. The outbreak of COVID-19 in the corresponding period last year negatively impacted sales in the second quarter of 2020. The Company's sales in the first half were favorably affected by the depreciation of the Shekel against the Serbian Dinar, by approximately NIS 1 million, compared to the corresponding period last year.
Total International Coffee	**1,227**	**1,226**	**0.1%**	**8.3%**	
Total Coffee	**1,599**	**1,594**	**0.3%**	**6.5%**	

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

(1) The growth rate in local currency neutralizes the effect of changes in foreign exchange rates in the different countries against the Shekel on the growth in the countries' sales.

(2) Três Corações – Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. (Data reflect Strauss Coffee's share (50%)).

(3) Três Corações' sales – excluding intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee.

Following are sales by the Coffee Operation in the major geographical regions (not including intercompany sales) and growth rates for the quarters ended June 30, 2021 and 2020 (in NIS millions):

Sales by the Coffee Operation in Major Geographical Regions

Geographical region	Second Quarter 2021	2020	% change	% organic change in local currency[1]	Explanation
Israel Coffee	**163**	**133**	**22.8%**	**22.8%**	Sales growth in the second quarter of 2021 compared to the corresponding period last year is largely the result of growth in sales by the Elite Café chain and sales to the institutional and AFH market, which were negatively affected by the outbreak of COVID-19 in Israel in the corresponding quarter.
International Coffee					
Brazil (Três Corações JV)) [2] [3] - 50%	422	366	15.2%	13.7%	Growth in Três Corações (JV)'s local currency sales is mainly due to price increases following the increase in green coffee prices and to the acquisition of 100% of Mitsui on July 31, 2020. The Company's sales in the second quarter of 2021 were negatively affected by the appreciation of the Shekel against the Brazilian Real, by approximately NIS 20 million compared to the corresponding period last year. For further information, see section 16.2.2 below.
Russia and Ukraine	123	122	0.4%	10.7%	Most of the increase in local currency sales is the result of growth in quantities sold and a decrease in the volume of commercial activity with part of the Company's customers. The Company's sales in the second quarter of 2021 were negatively affected by the appreciation of the Shekel against the Russian Ruble and the Ukrainian Hryvnia, by approximately NIS 11 million compared to the corresponding period last year.
Poland	69	68	1.0%	(0.2%)	Local currency sales remained essentially unchanged compared to the corresponding period last year. The Company's sales in the second quarter of 2021 were favorably affected by the weakening of the Shekel against the Polish Zloty, by NIS 1 million compared to the corresponding period last year.
Romania	41	34	23.6%	23.7%	Growth in local currency sales in the quarter is mainly due to growth in sales volumes compared to the corresponding period last year, which was negatively affected by the outbreak of COVID-19. The Company's sales in the second quarter of the year were not materially affected by exchange rates compared to the corresponding period last year.
Serbia	30	27	11.0%	9.2%	Growth in local currency sales is mainly due to growth in sales volumes compared to the corresponding period last year, which was negatively affected by the outbreak of COVID-19. The Company's sales in the second quarter were not materially affected by exchange rates compared to the corresponding period last year.
Total International Coffee	**685**	**617**	**10.9%**	**12.0%**	
Total Coffee	**848**	**750**	**13.0%**	**13.9%**	

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

(1) The growth rate in local currency neutralizes the effect of changes in foreign exchange rates in the different countries against the Shekel on the growth in the countries' sales.

(2) Três Corações – Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. (Data reflect Strauss Coffee's share (50%)).

(3) Três Corações' sales – excluding intercompany sales between Três Corações Alimentos S.A. and Strauss Coffee.

16.2.2 Três Corações (JV) (Brazil) – 3C – a joint venture between the Group (50%) and São Miguel Group (50%); (Data reflect Strauss Coffee's share (50%))

In the first half of 2021 Três Corações (JV)'s[7] average value market share in roast and ground (R&G) coffee was approximately 30.6%, compared to 28.1% in the corresponding period last year. It is noted that market share includes an increase following the acquisition of Mitsui, which contributed approximately 2.2%. Excluding the Mitsui acquisition, market share increased by approximately 0.3% (value market share reflecting 100% of Três Corações (JV)'s sales according to Nielsen figures). In the GAAP Financial Statements, the Group's share of the joint venture is accounted for in the equity method.

Following are selected financial data on Três Corações (JV)'s business (before intercompany eliminations), in **BRL millions** (data reflect the Group's holding (50%)):

Selected Financial Data on Três Corações (JV)'s business							
	First Half			Second Quarter			Explanation
	2021	2020	% change in local currency	2021	2020	% change in local currency	
Sales	1,199	1,001	19.8%	685	562	22.0%	Sales growth mainly reflects price increases as a result of the increase in green coffee prices following the weakening of the Brazilian Real, growth in green coffee exports and the acquisition of 100% of Mitsui, completed on July 31, 2020.
Organic growth	12.1%	6.5%		13.7%	9.2%		
Gross profit	278	277	0.4%	157	150	5.4%	The increase in gross profit is mainly the result of sales growth as mentioned. The drop in the gross margin largely reflects the increase in green coffee prices, at a rate exceeding the increase in sales prices.
Gross profit margin	23.2%	27.6%		22.9%	26.5%		
Operating profit before other income / expenses	62	70	(12.2%)	42	45	(9.0%)	The drop in operating profit and the operating margin is largely due to the drop in the gross margin and an increase in selling and marketing expenses.
Operating profit margin	5.1%	7.0%		6.1%	8.1%		

Financial data were rounded to BRL millions. Percentages changes were calculated on the basis of the exact figures.

[7] Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. ("São Miguel") (hereinafter: "Três Corações (JV)"). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Following are selected financial data on Três Corações (JV)[8]'s business (before intercompany eliminations), **in NIS millions** (data reflect the Group's holding (50%)):

Selected Financial Data on Três Corações (JV)'s business						
NIS millions	First Half			Second Quarter		
	2021	2020	% change	2021	2020	% change
Sales	731	711	2.7%	423	367	15.3%
Gross profit	169	197	(14.3%)	97	97	(0.5%)
Operating profit before other income/expenses	37	48	(22.7%)	25	29	(13.9%)

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

16.3 The International Dips & Spreads Activity

The Group develops, manufactures, sells, markets and distributes refrigerated dips and spreads through Sabra in the US and Canada, and through Obela in Mexico, Australia, New Zealand and Western Europe. The operations of Sabra and Obela are each carried out through joint ventures between the Group and PepsiCo (each party holds 50%). In the GAAP Financial Statements, the Group's share of the operations of Sabra and Obela is accounted for in the equity method.

Sabra is the largest refrigerated dips and spreads company in the US. According to IRI, Sabra's value market share of the overall refrigerated dips and spreads category in the six months ended June 30, 2021 was 61.2% (Number 1 in the market), compared to 62.5% in the corresponding period last year.

16.3.1 Sabra

Following are selected financial data on Sabra's business in **US Dollar millions** (reflecting 100%):

Condensed Results of Business Operations – Sabra							
	First Half			Second Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
Sales	186	192	(3.2%)	98	91	8.2%	Most of the growth in the second quarter is due to a recovery in sales, mainly in the AFH market, compared to the corresponding period last year, which was negatively affected by the outbreak of COVID-19 in the US and supply chain difficulties.
Operating profit before other expenses	18	23	(21.7%)	8	12	(29.9%)	The drop in operating profit and the operating margin in the second quarter of 2021 is mainly due to low selling and marketing expenses in the corresponding period due to the outbreak of the pandemic in the US, and was partially offset by sales growth as mentioned.
% operating profit	9.3%	11.9%		7.8%	12.9%		

Financial data were rounded to USD millions. Percentages changes were calculated on the basis of the exact figures.

8 Três Corações (JV) in Brazil – 50% held by Strauss Group and 50% held by a local holding company, São Miguel Holding e Investimentos S.A. ("**São Miguel**") (hereinafter: "**Três Corações (JV)**"). (Data reflect Strauss Coffee's share (50%) unless expressly stated otherwise).

Following are selected financial data on Sabra's business in **NIS millions** (reflecting 100%):

Condensed Results of Business Operations – Sabra						
	First Half			Second Quarter		
	2021	2020	% change	2021	2020	% change
Sales	608	674	(9.9%)	321	319	0.6%
Operating profit before other expenses	57	80	(29.5%)	25	41	(39.4%)
% operating profit	9.3%	11.9%		7.8%	12.9%	

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

16.3.2 Obela

Following are selected financial data on Obela's business in **NIS millions** (reflecting 100%):

Condensed Results of Business Operations – Obela						
	First Half			Second Quarter		
	2021	2020	% change	2021	2020	% change
Sales	86	76	12.9%	42	36	16.3%
Organic growth excluding foreign currency effects	5.7%	2.6%		8.6%	5.1%	
Operating loss	(9)	(7)	(33.2%)	(4)	(4)	(12.0%)

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

16.4 Strauss Water

Through Strauss Water the Group is active in the drinking water market in the development, assembly, marketing, sale and servicing of POU (point-of-use) systems for the filtration, purification and carbonation of drinking water, mainly in Israel and the UK. Strauss Water also has insubstantial activities in a number of other countries, which are carried out through local franchisees. In addition, Strauss Water has a material investment (49%) in an associate (Haier Strauss Water (HSW)), which is a joint venture established by Strauss Water and Haier Group of China and is active in the filtration and purification of drinking water in China.

In Israel, water filtration, purification and carbonation appliances are sold to end customers in combination with a service agreement for degradable components. In the framework of these service agreements Strauss Water provides a warranty for the duration of the term of the agreement, and the customer may terminate the transaction at any time (subject to the terms and conditions of the service agreement). Payment for the transaction is made on a monthly basis throughout the term of the agreement. The Group has factoring arrangements with third parties for part of these payments and non-recourse factoring arrangements for the sale of water bars.

At the end of the second quarter of 2021 Strauss Water launched a series of new, advanced water bars, tami4edge. The water bars are more compact and use IoT (Internet of Things) technology.

Following are the condensed results of business operations based on the Management (Non-GAAP) Reports of Strauss Water for the half years and quarters ended June 30, 2021 and 2020 (in NIS millions):

Condensed Results of Business Operations – Strauss Water

	First Half			Second Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
Sales	356	303	17.3%	186	159	16.4%	Sales growth in the first half and second quarter of 2021 compared to the corresponding periods last year is due to growth in the customer base and in sales of new appliances.
Operating profit	44	45	(2.6%)	22	30	(26.4%)	The drop in EBIT in the first half and second quarter compared to the corresponding periods last year is largely due to a regional development grant of NIS 11 million (the Company's share) received in China and recognized in the second quarter last year, which was partially offset by growth in the customer base and in sales of new appliances.
% operating profit	12.4%	15.0%		12.1%	19.1%		The change in EBIT excluding the regional development grant recognized in the second quarter last year is approximately 27.3% and 13.1% for the first half and second quarter of 2021, respectively. Excluding the profits of HSW, EBIT in the first half of 2021 grew by approximately NIS 8 million, and the EBIT margin rose by 1.4% and amounted to 8.2%. Excluding the profits of HSW, EBIT in the second quarter grew by approximately NIS 3 million, and the EBIT margin rose by 0.3% and amounted to 8.4%.

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS thousands.

16.4.1 Results of Haier Strauss Water (HSW)

Following are selected financial data on HSW's business in **RMB millions** (data reflect 100% ownership):

Condensed Results of Business Operations – HSW							
	First Half			Second Quarter			Explanation
	2021	2020	% change	2021	2020	% change	
Sales	650	492	31.9%	345	280	22.4%	Sales growth in the first half and second quarter of 2021 is primarily due to the recovery of the Chinese market after the outbreak of COVID-19 in China, which mainly impacted the first quarter of 2020.
Net profit	65	103	(36.9%)	31	76	(59.3%)	The decrease in net profit in the half and quarter compared to the corresponding periods last year is largely due to the award of a regional development grant to HSW in the second quarter of 2020. The rate of change in net profit excluding the regional development grant recognized in the second quarter last year is an increase of approximately 11.1% in the first half, and a decrease of 2.0% in the second quarter of 2021.

Financial data were rounded to RMB millions. Percentages changes were calculated on the basis of the exact figures.

Following are selected financial data on HSW's business, in **NIS millions** (data reflect 100% ownership):

Condensed Results of Business Operations – HSW						
	First Half			Second Quarter		
	2021	2020	% change	2021	2020	% change
Sales	328	245	33.8%	174	139	25.5%
Net profit	33	51	(35.8%)	16	38	(58.4%)

Financial data were rounded to NIS millions. Percentages changes were calculated on the basis of the exact figures in NIS

In January 2021, HSW signed an agreement for the establishment of a partnership in POE (point-of-entry) filters. HSW's stake in the partnership is 70% (with the option of decreasing the holding percentage in coming years or acquiring an additional stake upon the satisfaction of certain conditions). The investment in the partnership amounts to RMB 45 million and was self-funded by HSW.

In March 2020, the board of directors of HSW approved an investment of approximately RMB 375 million (approximately NIS 190 million) for the construction of a facility for the production and assembly of HSW products sold in China. In early May 2021, the facility became operational. HSW estimates that construction of the manufacturing facility will improve its competitive position, as in-house manufacturing capabilities allow for greater flexibility in the development and production of unique, innovative products, shorter time-to-market and the launch of high-quality products. Such capabilities carry substantial weight in leveraging a competitive advantage in a growing and developing market. It is further noted that the majority of significant players in the market have in-house manufacturing capabilities. To support the realization of HSW's strategy and its regular operations, the subsidiary Strauss Water granted a shareholder loan of approximately NIS 49 million, in accordance with its stake in the partnership.

The information contained in this section, including estimates that its construction will enable HSW to improve its competitive position, is forward-looking information as this term is defined in the Securities Law, which is based on the information available to the Company on the date of this report and includes the Company's estimates on the reporting date. Actual results may differ materially from those anticipated, among other things as a result of market developments and the impacts of COVID-19. See also sections 3-7, "Changes in the Economic Environment".

16.5 Other Operations

Since its establishment in January 2015, the FoodTech incubator has invested in 20 companies, some of which have completed product development, commenced initial sales and raised further investments. The Company participated in some of these funding rounds, investing sums that are immaterial to the Company. For a list of the companies in the incubator project and their areas of activity, see section 15 in the chapter Description of the Company's Business in the 2020 Periodic Report. On the reporting date, the securities of a company that participated in the project, Flying SpArk Ltd., are listed on the Tel Aviv Stock Exchange Ltd. ("TASE").

On June 30, 2021, the total value of the investments in the incubator investees, which are presented in the financial statements according to the equity method, was approximately NIS 45 million. The fair value of the investments on said date was approximately NIS 147 million*.

Fair value of each of the companies is based on the data of the most recent funding round completed multiplied by the Company's actual holding in that company, with the exception of two companies in which a decision was made to write off the investment. Companies in which respect certainty as to future fundraising is low were zeroed out or included at their most up to date fair value proximate to the date of publication of the report.

In the second quarter of 2021, an incubator investee completed a funding round in which it raised approximately NIS 18 million. As a result of this round, a gain of approximately NIS 3 million was recognized on the decrease in the holding rate in the investee, in the "share of profit of equity-accounted investees" item.

In July 2021, a funding round was completed by Aleph Farms Ltd., an investee in The Kitchen FoodTech Hub. Following the completion of this round the Group's holding in Aleph Farms decreased, and the Group has retained significant influence. Consequently, in the third quarter the Group will recognize a gain of approximately NIS 58 million on the decrease in holding rate. For further information, see Note 9.3 to the Condensed Consolidated Interim Financial Statements as at June 30, 2021.

In July 2021 the FoodTech incubator invested in its twentieth company, Mushfoods Ltd., which develops proteins from mushrooms.

For information on the method of calculating the gain on the decrease in holding rate in the above investees, see Note 3.1.5 to the Consolidated Financial Statements for the year 2020.

To the best of the Company's knowledge, the cash flows provided by the abovementioned funding rounds are earmarked to serve the incubator investees for the purpose of further investment activity, research and development, sales and marketing, and consequently, in the Company's estimate, in the foreseeable future the Company is expected to record a loss on the profit of the incubator companies, which is likely to reduce all or part of the gains recognized in the reporting period.

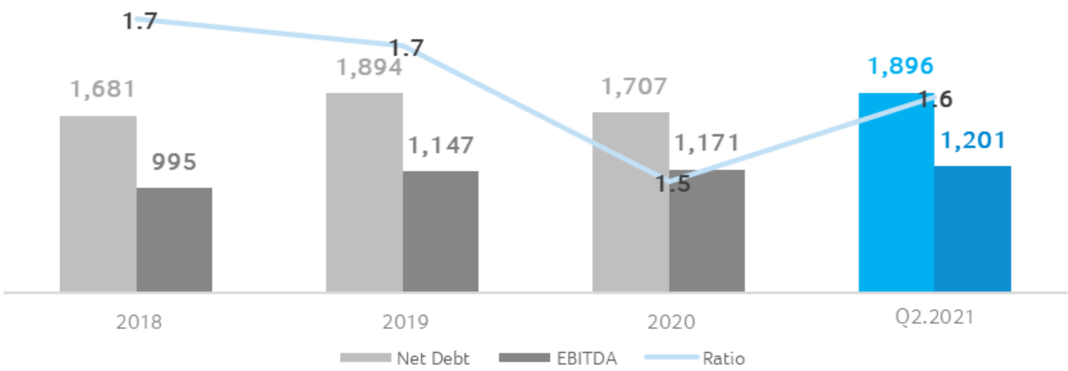
The information contained in this section with respect to the anticipated losses is forward-looking information as this term is defined in the Securities Law, which is based on the Company's estimates with respect to the uses to be made by the investees. Actual results may differ materially from those anticipated if the uses that are actually made of the funds are different to the uses anticipated by the Company, and also since they are contingent on the results of the incubator investees.

* Fair value proximate to the date of publication of the financial statements increased as a result of the completion of a funding round by Aleph Farms. For further information, see Note 9.3 to the Condensed Consolidated Interim Financial Statements as at June 30, 2021.

LIQUIDITY, SOURCES OF FINANCE AND FINANCIAL POSITION

5.4	Aa1il	ilAA+	2,210	1,896
Average life	Moody's rating	S&P rating	Gross debt	Net debt

Net Debt-to-EBITDA Ratio



Financial data are GAAP data in NIS millions. Percentages were calculated on the basis of the exact figures in NIS thousands.

17. Liquidity

17.1 Credit rating

In April 2021 the Company announced the reaffirmation of an ilAA+ rating with stable outlook by Standard & Poor's Maalot Ltd.

In May 2021 the Company announced the reaffirmation of an Aa1.il rating with stable outlook by Midroog Ltd.

17.2 Cash flows

Following is information on cash flows from the Group's operating activities, which were used in investing and financing activities:

Cash Flows				
	First Half			Explanation
	2021	2020	Change	
Cash flows from operating activities	315	369	(54)	The decrease is largely due to changes in working capital, which were partially offset by an increase in EBITDA and a decrease in payments of interest and taxes.
Cash flows used in investing activities	(61)	(160)	99	The change is largely due to a dividend paid by an associate in the current period, and the grant of a long-term loan for the construction of a manufacturing facility for the production and assembly of HSW's products sold in China in the corresponding period last year.
Cash flows used in financing activities	(432)	(317)	(115)	The change is largely due to an increase in dividends paid in the reporting period, which was partially offset by the redemption of debentures and repayment of long-term loans in the corresponding period last year.

Financial data were rounded to NIS millions.

Cash Flows				
	Second Quarter			Explanation
	2021	2020	Change	
Cash flows from operating activities	106	248	(142)	The decrease is largely due to changes in working capital, particularly trade receivables, following sales growth in the current quarter and high takings in the corresponding period due to the strong sales of March 2020.
Cash flows used in investing activities	(14)	(62)	48	The change is largely due to a dividend paid by an associate in the current period.
Cash flows used in financing activities	(348)	(203)	(145)	The change is largely due to an increase in dividends paid in the reporting period, which was partially offset by a decrease in short-term bank credit.

Financial data were rounded to NIS millions.

17.3 Average credit volumes

Following is information on average credit volumes:

Average Credit Volume							
	First Half			Second Quarter			Explanation
	2021	2020	change	2021	2020	change	
Long-term credit volume according to the Non-GAAP Report	2,449	2,509	(60)	2,454	2,488	(34)	Most of the decrease is due to the prepayment of loans, which was partially offset by the issuance of debentures.
Average short-term credit volume according to the Non-GAAP Report	135	265	(130)	130	296	(166)	
Long-term credit volume according to the GAAP Financial Statements	2,176	2,287	(111)	2,179	2,248	(69)	
Average short-term credit volume according to the GAAP Financial Statements	29	54	(25)	33	91	(58)	

Financial data were rounded to NIS millions.

17.4 Status of Liabilities Report according to payment dates

See Form T-126, published simultaneously with the Financial Statements.

17.5 Net working capital

Following is information on the change in net working capital (based on cash flow):

Change in Net Working Capital				
	First Half		Second Quarter	
	2021	2020*	2021	2020*
Change in net working capital according to the GAAP Financial Statements	(105)	7	(82)	86
Change in net working capital according to the Non-GAAP Reports*	(229)	(102)	(119)	61

Financial data were rounded to NIS millions.

* Comparative figures were restated.

17.6 Customer and supplier credit

As part of the accounting treatment of working capital, from time to time the Group executes non-recourse factoring transactions in trade receivables, as well as reverse factoring transactions in trade payables.

17.7 Additional information on liquidity and operating cash flow

Following is additional financial information on the Company's liquidity:

Additional information		
	June 30, 2021	December 31, 2020
Liquidity ratio	1.16	1.20
Liabilities in respect of long-term loans and credit (including current maturities)	2,160	2,168
Short-term credit (excluding current maturities)	50	29
Supplier credit	826	755
Ratio of equity attributable to the Company's shareholders to total assets on the Company's consolidated statement of financial position	36.4%	35.2%
Equity attributable to the shareholders of the Company	2,382	2,260

Financial data were rounded to NIS millions.

Following is the distribution of EBITDA between the Group's operating segments (in NIS millions):

Distribution of EBITDA Between the Group's Operating Segments						
	First Half			Second Quarter		
	2021	**2020**	**% change**	**2021**	**2020**	**% change**
Strauss Israel	313	296	5.6%	146	135	8.2%
Strauss Coffee	227	236	(3.9%)	102	100	2.0%
International Dips & Spreads	37	50	(26.4%)	17	25	(33.5%)
Strauss Water	62	64	(2.3%)	32	40	(20.1%)
Other Operations	30	17	77.1%	(1)	9	(108.7%)
Total	**669**	**663**	**0.9%**	**296**	**309**	**(4.2%)**

Financial data were rounded to NIS millions.

18. Disclosure Pertaining to the Examination of Warning Signs in Respect of a Working Capital Deficiency Under Regulation 10(B)(14)(a)

In the Company's separate financial information ("solo report") for the second quarter of 2021 there is a working capital deficiency of approximately NIS 202 million. There is no such deficiency in the Consolidated Financial Statements of the Company for the second quarter of 2021. The cash flow from operating activities in the solo report is positive and amounts to approximately NIS 123 million. In light of the working capital deficiency in the solo report, on August 16, 2021 the Board of Directors of the Company examined the Company's liquidity as described below, and determined that said working capital deficiency is not indicative of a liquidity issue in the Company. This decision is based on a review, inter alia, of the Company's financial results as reported in the Financial Statements of the Company as at June 30, 2021, and is also based on data pertaining to the Company's projected cash flow for the next two years given the Company's existing and anticipated liabilities, including the Company's liabilities to the holders of its debentures (Series E and F) and to banking corporations and their maturity dates, and on an inspection of existing and anticipated sources for the repayment of these liabilities and the resources arising from the Company's holdings in its major investees, including the receipt of dividends, repayment of loans by investees, raising capital from banking corporations and/or other sources if necessary; as well as on the financial strength of the major investees of the Company and their leading competitive position in the markets where these companies operate. The Board of Directors also reviewed sensitivity analyses of the Company's projected cash flow, including developments and implications of the COVID-19 outbreak, for the next two years, and asserted that the working capital deficiency is not indicative of a liquidity issue in the Company.

It is emphasized that the abovementioned assessment by the Board of Directors is forward-looking information, as this term is defined in the Securities Law, 1968, which is primarily based on the Company's forecasts and on its analysis of its actual cash flows in the period since the end of the year and its future cash flows, its existing and anticipated liabilities, its existing assets, its expectations as to future profits and dividend distributions by investees, etc. There can be no assurance that these assessments, in whole or in part, will, in fact, occur, or that they will not occur in a different form, including materially, than estimated, among other things as a result of market behavior and occurrence of the risk factors described in section 25 in the chapter Description of the Company's Business in the 2020 Periodic Report.

19. Information on Debenture Series

Following is financial information on the debentures series as at June 30, 2021.

Information on the Debenture Series		
	Series E Debentures	Series F Debentures
A. Nominal/par value	543	700
B. Carrying value of debentures	540	692
C. Carrying value of interest payable	–	–
D. Market value	584	699

On June 30, 2021, equity attributable to the shareholders of the Company was NIS 2,382 million. The financial debt-to-EBITDA ratio according to the GAAP Financial Statements was 1.6, and the equity-to-assets ratio was 36.4%. As of June 30, 2021, the Company is in compliance with the required covenants.

ASPECTS OF CORPORATE GOVERNANCE

20. Sustainability, CSR, Social Investment and Contributions

In the first half of 2021 the Group continued to develop its sustainability infrastructure, while persevering in ongoing social activities in alignment with growing needs following COVID-19. In the second quarter of the year, social activities focused on helping population groups that were economically harmed by the pandemic and the accompanying fallout, mainly surrounding the major religious festivals (Ramadan, Easter and Passover), and on providing emergency aid, accompanied by a return to working in formal frameworks alongside the implications of the virus. The Group also continued to donate a variety of it products to populations in need.

In June the Group marked its CSR week, CARE (Community, Activity, Responsibility to Engage), in which the Group's units collectively engage in community service, some together with social partners such as nonprofits and organizations with which the unit works on a continuous basis year-round and others participating in one-time volunteer projects, focusing on the strategic goal derived from the Company's sustainability concept: Better Food, Better Choices, Better Impact. This year, CARE Week's main theme was "Better Together". More than 4,100 volunteer hours were clocked up in collaboration with more than one dozen social partners and nonprofits around the world.

Also in June, the Group's work on raising productivity in the Arab sector was presented at the President's Residence as part of the Social Economic Forum. The Group leads the Populations roundtable in the Forum and is a key partner in the discourse on the eradication of domestic violence and the establishment of a national employment system, advocating diversity in procurement and in employment. With the Forum's help, the Group promotes talk and training for CEOs and procurement managers on supplier diversity processes. In parallel, through the Employers Administration, Strauss promotes the recruitment of employees from Arab society to fill high-quality positions in corporations.

In June, Sabra marked Juneteenth, a federal holiday in the US commemorating the emancipation from slavery. Celebrations included a number of volunteer activities in support of the African-American community living in the vicinity of the company's manufacturing site in Virginia. Company employees volunteered in packing and distributing food hampers to members of the community and in supporting the regular day-to-day operation of the regional food bank and meal center. Employees also participated in volunteer activities in the community to disseminate information about the COVID-19 vaccination and encourage people to be inoculated. In Richmond, employees participated in the renovation of the access way to Evergreen Cemetery, the city's historic African-American cemetery, and its surroundings.

In the second quarter the "Doing Good Together" project was completed, with the assistance of the "Latet" food bank, in which the Group donated digital coupons to around 7,500 families in Israel for the purchase of Strauss products at the food chains on a continuous basis between March and June. This innovative project, which was first launched in September 2020, was reinstated in March 2021, and the contribution is valued at approximately NIS 2 million. The second quarter was to a great extent also marked by emergency aid. Following the fighting in southern Israel and the tensions in mixed cities, Strauss supported population groups who were unable to move around freely with food products and candy and tips to help pass the time pleasantly. In addition to food donations, the Group continued to further social initiatives focused on diversity and inclusion and on the promotion of a healthy diet.

21. Aspects of Corporate Governance

At the date of publication of this report, the Company has not adopted a provision regarding the percentage of independent directors, as defined in the Companies Law, 1999, in its Articles of Association.

22. Effectiveness of Internal Control

See the attached report for information on the effectiveness of internal control over financial reporting and disclosure in accordance with Regulation 38c(a).

23. Events After the Reporting Period

For a review of events occurring after the date of the statement of financial position, see Note 9 to the Condensed Consolidated Interim Financial Statements as at June 30, 2021.

The Board of Directors and Management express their gratitude and appreciation to the employees and managers of Strauss Group.

Ofra Strauss	**Giora Bardea**
Chairperson of the Board	Chief Executive Officer

August 16, 2021

Strauss

Financial Statements

as at June 30 ,2021

Condensed Consolidated Interim Financial Statements as at June 30, 2021 (unaudited)

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Condensed Consolidated Interim Statements of Financial Position

	June 30 2021	June 30 2020	December 31 2020
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	314	411	491
Trade receivables	1,023	952	996
Income tax receivables	8	3	16
Other receivables and debit balances	148	122	120
Inventory	666	603	557
Assets held for sale	7	12	12
Total current assets	2,166	2,103	2,192
Investments and non-current assets			
Investment in equity-accounted investees	1,346	1,282	1,222
Other investments and long-term debt balances	114	120	110
Fixed assets	1,768	1,740	1,754
Right-of-use assets	214	188	198
Intangible assets	921	920	916
Investment property	4	4	4
Deferred tax assets	18	20	18
Total investments and non-current assets	4,385	4,274	4,222
Total assets	6,551	6,377	6,414

Ofra Strauss Chairperson of the Board of Directors	Giora Bardea Chief Executive Officer	Ariel Chetrit Chief Financial Officer

Date of approval of the interim financial statements: August 16, 2021

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Financial Position (cont'd)

	June 30 2021	June 30 2020	December 31 2020
	Unaudited		Audited
	NIS millions		
Current liabilities			
Current maturities of debentures	30	67	30
Short-term credit and current maturities of long-term loans and other long-term liabilities	284	482	256
Current maturities of lease liabilities	77	80	78
Trade payables	826	729	755
Income tax payables	45	114	37
Other payables and credit balances	566	592	575
Dividends payable	-	-	70
Provisions	43	27	32
Total current liabilities	1,871	2,091	1,833
Non-current liabilities			
Debentures	1,202	677	1,231
Long-term loans and other long-term liabilities	464	869	461
Lease liabilities	153	136	142
Long-term payables and credit balances	24	24	18
Employee benefits, net	47	47	49
Deferred tax liabilities	253	247	248
Total non-current liabilities	2,143	2,000	2,149
Equity and reserves			
Share capital	253	253	253
Share premium	1,051	1,051	1,051
Reserves	(2,109)	(2,082)	(2,155)
Retained earnings	3,187	2,923	3,111
Total equity attributable to the shareholders of the Company	2,382	2,145	2,260
Non-controlling interests	155	141	172
Total equity	2,537	2,286	2,432
Total liabilities and equity	6,551	6,377	6,414

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Income

	For the six months ended		For the three months ended		For the year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited				Audited
	NIS millions				
Sales	2,967	2,878	1,458	1,333	5,873
Cost of sales	1,742	1,709	863	799	3,485
Gross profit	1,225	1,169	595	534	2,388
Selling and marketing expenses	649	636	328	300	1,316
General and administrative expenses	207	204	103	96	420
	856	840	431	396	1,736
Share of profit of equity-accounted investees (1)	111	118	43	70	235
Operating profit before other income (expenses)	480	447	207	208	887
Other income	6	1	1	1	2
Other expenses	(3)	(1)	(2)	-	(3)
Other income (expenses), net	3	-	(1)	1	(1)
Operating profit	483	447	206	209	886
Financing income	11	5	2	1	6
Financing expenses	(33)	(62)	(27)	(48)	(144)
Financing expenses, net	(22)	(57)	(25)	(47)	(138)
Income before taxes	461	390	181	162	748
Income tax	(92)	(73)	(33)	(16)	(149)
Income for the period	369	317	148	146	599
Attributable to:					
The shareholders of the Company	333	282	130	126	533
Non-controlling interests	36	35	18	20	66
Income for the period	369	317	148	146	599
Earnings per share					
Basic earnings per share (in NIS)	2.87	2.43	1.12	1.09	4.60
Diluted earnings per share (in NIS)	2.85	2.41	1.11	1.08	4.55

(1) Including a gain on loss of control over an incubator investee. For further information, see Note 4.3.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Comprehensive Income

	For the six months ended		For the three months ended		For the year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited				Audited
	NIS Millions				
Income for the period	369	317	148	146	599
Other comprehensive income (loss) items that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences	-	(50)	5	24	(76)
Other comprehensive income (loss) from equity-accounted investees	45	(192)	55	(63)	(239)
Total other comprehensive income (loss) items for the period that will be reclassified to profit or loss in subsequent periods, net	45	(242)	60	(39)	(315)
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net:					
Changes in employee benefits, net	3	1	2	-	-
Total other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net	3	1	2	-	-
Comprehensive income for the period	417	76	210	107	284
Attributable to:					
The shareholders of the Company	382	40	192	87	217
Non-controlling interests	35	36	18	20	67
Comprehensive income for the period	417	76	210	107	284

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

	Attributable to the shareholders of the Company								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Six-month period ended June 30, 2021 – unaudited:									
Balance as at January 1, 2021	253	1,051	(20)	(393)	(1,742)	3,111	2,260	172	2,432
Total comprehensive income (loss) for the period									
Income for the period	-	-	-	-	-	333	333	36	369
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	1	-	1	(1)	-
Other comprehensive income from equity-accounted investees	-	-	-	-	45	-	45	-	45
Change in employee benefits, net	-	-	-	-	-	3	3	-	3
Total other comprehensive income (loss) for the period, net	-	-	-	-	46	3	49	(1)	48
Total comprehensive income for the period	-	-	-	-	46	336	382	35	417
Share-based payment	-	-	-	-	-	10	10	-	10
Dividend to shareholders of the Company	-	-	-	-	-	(270)	(270)	-	(270)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(52)	(52)
Balance as at June 30, 2021	253	1,051	(20)	(393)	(1,696)	3,187	2,382	155	2,537

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (cont'd)

	Attributable to the shareholders of the Company								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Six-month period ended June 30, 2020 – unaudited:									
Balance as at January 1, 2020	253	1,051	(20)	(392)	(1,426)	2,811	2,277	153	2,430
Total comprehensive income (loss) for the period									
Income for the period	-	-	-	-	-	282	282	35	317
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	(51)	-	(51)	1	(50)
Other comprehensive loss from equity-accounted investees	-	-	-	-	(192)	-	(192)	-	(192)
Change in employee benefits, net	-	-	-	-	-	1	1	-	1
Total other comprehensive income (loss) for the period, net	-	-	-	-	(243)	1	(242)	1	(241)
Total comprehensive income (loss) for the period	-	-	-	-	(243)	283	40	36	76
Share-based payment	-	-	-	-	-	9	9	-	9
Improved interest to subsidiary	-	-	-	(1)	-	-	(1)	1	-
Dividend to shareholders of the Company	-	-	-	-	-	(180)	(180)	-	(180)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(49)	(49)
Balance as at June 30, 2020	253	1,051	(20)	(393)	(1,669)	2,923	2,145	141	2,286

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (cont'd)

	Attributable to the shareholders of the Company								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Three-month period ended June 30, 2021 – unaudited:									
Balance as at April 1, 2021	253	1,051	(20)	(393)	(1,756)	3,050	2,185	189	2,374
Total comprehensive income for the period									
Income for the period	-	-	-	-	-	130	130	18	148
Components of other comprehensive income:									
Foreign currency translation differences	-	-	-	-	5	-	5	-	5
Other comprehensive income from equity-accounted investees	-	-	-	-	55	-	55	-	55
Change in employee benefits, net	-	-	-	-	-	2	2	-	2
Total other comprehensive income for the period, net	-	-	-	-	60	2	62	-	62
Total comprehensive income for the period	-	-	-	-	60	132	192	18	210
Share-based payment	-	-	-	-	-	5	5	-	5
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(52)	(52)
Balance as at June 30, 2021	253	1,051	(20)	(393)	(1,696)	3,187	2,382	155	2,537

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (cont'd)

	Attributable to the shareholders of the Company								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Three-month period ended June 30, 2020 – unaudited:									
Balance as at April 1, 2020	253	1,051	(20)	(393)	(1,630)	2,792	2,053	170	2,223
Total comprehensive income (loss) for the period									
Income for the period	-	-	-	-	-	126	126	20	146
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	24	-	24	-	24
Other comprehensive loss from equity-accounted investees	-	-	-	-	(63)	-	(63)	-	(63)
Total other comprehensive income (loss) for the period, net	-	-	-	-	(39)	-	(39)	-	(39)
Total comprehensive income (loss) for the period	-	-	-	-	(39)	126	87	20	107
Share-based payment	-	-	-	-	-	5	5	-	5
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(49)	(49)
Balance as at June 30, 2020	253	1,051	(20)	(393)	(1,669)	2,923	2,145	141	2,286

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (cont'd)

	Attributable to the Company's shareholders								
	Share capital	Share premium	Treasury shares	Reserve from transactions with non-controlling interests	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	NIS millions								
Year ended December 31, 2020 – audited:									
Balance as at January 1, 2020:	253	1,051	(20)	(392)	(1,462)	2,811	2,277	153	2,430
Total comprehensive income (loss) for the year									
Income for the year	-	-	-	-	-	533	533	66	599
Components of other comprehensive income (loss):									
Foreign currency translation differences	-	-	-	-	(77)	-	(77)	1	(76)
Other comprehensive loss from equity-accounted investees	-	-	-	-	(239)	-	(239)	-	(239)
Total other comprehensive income (loss) for the year, net	-	-	-	-	(316)	-	(316)	1	(315)
Total comprehensive income (loss) for the year	-	-	-	-	(316)	533	217	67	284
Share-based payment	-	-	-	-	-	17	17	-	17
Improved interest to subsidiary	-	-	-	(1)	-	-	(1)	1	-
Dividend paid	-	-	-	-	-	(180)	(180)	-	(180)
Dividend declared but not yet paid	-	-	-	-	-	(70)	(70)	-	(70)
Dividend to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	(49)	(49)
Balance as at December 31, 2020	253	1,051	(20)	(393)	(1,742)	3,111	2,260	172	2,432

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Consolidated Interim Statements of Cash Flows

	For the six months ended		For the three months ended		For the year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited				Audited
	NIS millions				
Cash flows from operating activities					
Income for the period	369	317	148	146	599
Adjustments:					
Depreciation	114	122	57	61	249
Amortization of intangible assets	19	15	10	7	35
Other income, net	(5)	-	(1)	-	-
Expenses in respect of share-based payment	10	9	5	5	17
Financing expenses, net	22	57	25	47	138
Income tax expenses	92	73	33	16	149
Share of profit of equity-accounted investees	(111)	(118)	(43)	(70)	(235)
Change in inventory	(107)	(71)	(75)	(44)	(38)
Change in trade and other receivables	(59)	42	10	223	(21)
Change in long-term trade receivables	(1)	13	-	9	18
Change in trade and other payables	60	23	(18)	(104)	45
Change in employee benefits	2	-	1	2	2
Interest paid	(31)	(42)	(21)	(17)	(123)
Interest received	1	1	1	-	2
Income tax paid, net	(60)	(72)	(26)	(33)	(227)
Net cash provided by operating activities	315	369	106	248	610
Cash flows from investing activities					
Proceeds from sale of fixed assets and intangible assets, net	9	5	7	3	6
Investment in fixed assets	(80)	(80)	(45)	(41)	(184)
Investment in intangible assets	(23)	(20)	(10)	(11)	(55)
Repayment of loans granted	11	8	5	4	21
Loans granted	(11)	(51)	(6)	(5)	(66)
Income from sublease	4	4	2	2	8
Dividends from investee companies, net	37	-	37	-	133
Investment in investee companies	(8)	(26)	(4)	(14)	(32)
Net cash used in investing activities	(61)	(160)	(14)	(62)	(169)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows (cont'd)

	For the six months ended		For the three months ended		For the year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited				Audited
	NIS millions				
Cash flows from financing activities					
Short-term bank credit, net	20	64	23	65	24
Proceeds from issue of debentures, net of issuance costs	-	-	-	-	691
Redemption of debentures and repayment of long-term loans	(34)	(122)	(34)	(34)	(344)
Early redemption of debentures and prepayment of long-term loans	-	-	-	-	(555)
Change in liabilities in respect of credit card factoring	16	16	7	15	38
Payment of lease liabilities	(42)	(46)	(22)	(20)	(86)
Dividends paid	(340)	(180)	(270)	(180)	(180)
Dividend to non-controlling interests in a subsidiary	(52)	(49)	(52)	(49)	(49)
Net cash used in financing activities	(432)	(317)	(348)	(203)	(461)
Decrease in cash and cash equivalents	(178)	(108)	(256)	(17)	(20)
Cash and cash equivalents at beginning of period	491	525	571	430	525
Effect of exchange rate changes on cash	1	(6)	(1)	(2)	(14)
Cash and cash equivalents at end of period	314	411	314	411	491

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Note 1 - Reporting Principles and Accounting Policy

1.1 General

1.1.1 The reporting entity, Strauss Group Ltd (hereinafter: the "Company" or "Strauss Group") is an Israeli resident company. The address of the Company's registered office is 49 Hasivim St. Petach Tikva.

The Company and its investee companies (hereinafter: the "Group") are a group of industrial and commercial companies operating in Israel and abroad and active mainly in the development, manufacture, marketing and sale of a variety of branded food and beverage products. The Group is also active in the development, marketing, servicing and sale of water filtration, carbonation and purification products. The condensed consolidated interim financial statements of the Company as at June 30, 2021 and for the six- and three-month periods then ended (hereinafter: the "Interim Statements") comprise those of the Company and its subsidiaries and the Group's rights in joint arrangements.

Strauss Holdings Ltd. is the direct controlling shareholder of the Company (approximately 57.2% of the equity and voting rights in the Company). The controlling shareholder of Strauss Holdings is Michael Strauss's Assets Ltd. ("Michael's Assets") (approximately 75.64% of the equity and voting rights in Strauss Holdings).

The Company was informed that a probate order had been issued with respect to the estate of Mr. Michael Strauss OBM, which holds the shares of Michael's Assets (the "Shares in the Estate Account"), and that as a result of the expected distribution of the Shares in the Estate Account, Ms. Ofra Strauss, Ms. Irit Strauss and Mr. Adi Strauss ("Michael's Children") will jointly hold the shares of Michael's Assets (jointly, approximately 94.6% of the equity and voting rights in Michael's Assets), granting them control of Michael's Assets and, indirectly, control of the Company. Michael's Children are in agreement concerning cooperation in Michael's Assets, according to which they will vote as one in the general meeting of Michael's Assets.

In light of the foregoing, after the distribution of the estate, Ms. Ofra Strauss, Ms. Irit Strauss and Mr. Adi Strauss are the controlling shareholders of the Company.

1.1.2 The Interim Statements were prepared in accordance with IAS 34 with respect to interim financial reporting and in accordance with the provisions of Chapter 4 of the Securities Regulations (Periodic and Immediate Reports), 1970.

These Interim Statements should be read in conjunction with the audited consolidated financial statements of the Company and its consolidated subsidiaries as at December 31, 2020 and for the year then ended, together with their accompanying notes (hereinafter: the "Annual Financial Statements").
The Group's accounting policy in these Interim Statements was applied consistently with the Annual Financial Statements.

1.1.3 The consolidated interim financial statements are presented in NIS, which is the functional currency of the Company. The financial information is presented in NIS millions and has been rounded to the nearest million.

1.1.4 The consolidated interim financial statements were approved for publication by the Board of Directors of the Group on August 16, 2021.

Note 1 - Reporting Principles and Accounting Policy (cont'd)

1.2 First-time adoption of the amendment to IFRS 16, *Leases: COVID-19-Related Rent Concessions*

The amendment asserts that the practical expedient for the accounting treatment of rent concessions in leases where the Group is the lessee, occurring as a direct consequence of the COVID-19 pandemic, may be applied when the lease payments waived by the lessor were to have been paid until June 30, 2022, and not until June 30, 2021, as formerly determined.

Accordingly, the practical expedient for the accounting treatment of rent concessions in leases where the Group is the lessee may be applied when these concessions are a direct consequence of the COVID-19 pandemic, and also when:

- Lease payments are the same as, or less than, lease payments immediately preceding the change;
- The lease payments waived by the lessor were to have been paid until June 30, 2022; and
- There is no substantive change to the remaining terms and conditions of the lease.

In such cases, the amendment enables the Company not to assess whether the rent concession is a lease modification (in general, it will be accounted for as a variable lease payment). The amendment will be applied retrospectively commencing in annual reporting periods beginning on April 1, 2021. Application of the amendment to the standard does not have a material effect on the financial statements.

Note 2 – Seasonality

Sales of Fun & Indulgence products are characterized by seasonality, and are usually higher in the first quarter of the year. Seasonality is mainly affected by winter, which is marked by greater consumption of chocolate products, as well as by increased consumption of Fun & Indulgence products as Passover approaches.

In the Israel Coffee segment there is no distinct trend of seasonality. However, revenues are usually high in the first quarter of the year, due to increased consumption of coffee products prior to Passover.

In Health and Wellness products there is no distinct trend of seasonality. However, revenues are usually relatively high in the third quarter of the year in the hot summer months, which are characterized by increased consumption of dairy products.

International coffee sales are usually higher in the fourth quarter of the year. Seasonality is mainly affected by the timing of the Christian holidays and the end of the calendar year in the fourth quarter, a period characterized by higher purchases of coffee products.

Sales of the Group's water bars are generally higher in the summer months (April-October) compared to the rest of the year, with a corresponding increase in servicing the fourth quarter of the year.

For further information, see Note 4.2 with regard to the impact of the COVID-19 pandemic on the Group's activity.

Note 3 - Operating Segments

Segment information and reconciliation to the consolidated financial statements:

	For the six months ended		For the three months ended		For the year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited				Audited
	NIS Millions				
Income					
Sales to external customers:					
Health & Wellness	1,303	1,235	664	618	2,537
Fun & Indulgence	588	599	253	233	1,144
Total Israel	1,891	1,834	917	851	3,681
Israel Coffee	372	368	163	133	712
International Coffee	1,227	1,226	685	617	2,567
Total Coffee	1,599	1,594	848	750	3,279
International Dips and Spreads	347	375	181	178	722
Water	356	303	186	159	668
Other	-	-	-	-	-
Sales to other segments:					
Health & Wellness	3	3	2	1	6
Fun & Indulgence	3	5	1	2	9
Total Israel	6	8	3	3	15
Israel Coffee	1	1	-	-	2
International Coffee	-	1	-	-	2
Total Coffee	1	2	-	-	4
Total segment income	4,200	4,116	2,135	1,941	8,369
Elimination of intersegment sales	(7)	(10)	(3)	(3)	(19)
Total segment income excluding intersegment sales	4,193	4,106	2,132	1,938	8,350
Adjustment to the equity method	(1,226)	(1,228)	(674)	(605)	(2,477)
Total consolidated income	2,967	2,878	1,458	1,333	5,873

Note 3 - Operating Segments (cont'd)

	For the six months ended		For the three months ended		For the year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited				Audited
	NIS Millions				
Profit (loss)					
Health & Wellness	164	149	88	83	307
Fun & Indulgence	73	73	20	15	111
Total Israel	237	222	108	98	418
Israel Coffee	85	86	26	25	158
International Coffee	91	94	51	48	196
Total Coffee	176	180	77	73	354
International Dips and Spreads	24	37	11	19	56
Water	44	45	22	30	91
Other (1)	20	7	(6)	3	5
Total segment profit	501	491	212	223	924
Unallocated income (expenses):					
Adjustments for commodity hedges (2)	11	(18)	12	(4)	4
Other income (expenses), net	3	(1)	(1)	-	(4)
Share-based payment	(10)	(9)	(5)	(5)	(17)
Total segment operating profit	505	463	218	214	907
Adjustment to the equity method	(22)	(16)	(12)	(5)	(21)
Total operating profit in the consolidated financial statements	483	447	206	209	886
Financing expenses, net	(22)	(57)	(25)	(47)	(138)
Income before taxes	461	390	181	162	748

(1) For further information see Note 4.3.
(2) Reflects mark-to-market as at end-of-period of open positions in the Group in respect of financial derivatives used to hedge commodity prices, and all adjustments necessary to delay recognition of gains and losses arising from commodity derivatives until the date when the inventory is sold to outside parties.

Note 4 - Material Events in the Reporting Period

4.1 On March 21, 2021 the Board of Directors of the Company approved a dividend distribution to shareholders at an amount of NIS 270 million (approximately NIS 2.3 per share). The dividend was paid on April 13, 2021.

4.2 December 2019 saw the start of an unfolding event with global health, social and macroeconomic consequences in the form of the spread of COVID-19, which was declared a global pandemic, in most countries in the world.

Group management continues to manage the event and assess the risks on an ongoing basis in all countries of operations, since due to its nature this is an unfolding event that is evolving and changing constantly, sometimes on a daily basis.

At the date of this report, the Group's manufacturing and logistics facilities in all countries of operations continue to operate regularly. The Group has cooperated and continues to cooperate closely with its suppliers and customers to ensure that the supply chain is able to meet the continuing high demand observed in the second quarter.

In the second quarter of 2021, the Group continued to work to maintain financial stability and flexibility, while ensuring adequate liquidity in all geographies. Additionally, the second quarter was marked by continuing efforts to cope with the pandemic, which surged in some regions after a considerable improvement had been witnessed in the prior quarter following increased vaccination of the population in several geographies.

As of June 30, 2021 and on the date of approval of the financial statements, an increase in the Company's sales to the retail market has been observed, along with a significant improvement in sales to the institutional and AFH market (such as hotels, offices, cafés and restaurants) and in impulse sales. Supply chain, manufacturing and raw material costs continued to rise compared to costs prior to the COVID-19 outbreak as a result of the world recovery trend and a sharp rise in international shipping costs.

The Company has examined the implications of COVID-19 on its financial statements and on the assumptions and estimates applied in preparing the financial statements, as follows:

- The Company examined whether there has been a negative effect on its results, which may be indicative of signs of impairment of cash-generating units. No such signs of impairment in those units were detected;
- The Company reviewed the estimated credit risks of its customers and the provision for expected credit losses;
- The Company contracted with financial institutions to raise and secure sources of finance. For further information, see Note 28.6 to the Annual Financial Statements;
- The Company examined the impact on critical estimates and judgments applied in the financial statements.

Following qualitative and quantitative tests performed in all business units, the Company estimates that at the date of this report, the COVID-19 outbreak does not have a material impact on the financial statements of the Group.

4.3 In January 2021, an investee in The Kitchen Food-Tech incubator completed a funding round. As a result of the funding round, the Group lost control of the investee while retaining significant

Note 4 - Material Events in the Reporting Period (cont'd)

influence. Consequently, the Group recognized a gain on loss of control at a total amount of NIS 25 million, which was classified to the share of profit of equity-accounted investees.

Note 5 - Share-Based Payment

5.1 Grants in the reporting period

Following is information on the fair value of new option warrants granted in the reporting period:

Grant date	Number of options and entitled employees	Fair value NIS M	Share price NIS	Exercise price NIS	Expected life Years	Expected annual volatility %	Discount rate %
March 21, 2021	1,146,655 to 19 managers	17.3	93.8	95.49	3.95-4.95	18.75-19.2	0.44-0.64
May 24, 2021	133,333 to 1 manager	1.9	93.93	98.71	3.95-4.95	18.71-19.33	0.44-0.65

Entitlement to exercise the options will vest in two equal tranches in each of the years 2023 and 2024. The benefit arising from these grants will be classified as an expense in the financial statements over the abovementioned vesting periods.

The fair value of option warrants granted to employees is measured using the Black&Scholes model. For further information on the Black&Scholes model assumptions, see Note 23.2 to the Annual Financial Statements

5.2 Options exercised in the reporting period

In the reporting period, 90,000 option warrants granted to managers were exercised for 24,357 shares in consideration for their par value.

Note 6 - Contingent Liabilities

6.1 For information on claims pending against the Company and its investees and contingent liabilities as at December 31, 2020, see Note 24.1.1 to the Annual Financial Statements. There were no material changes pertaining to these claims in the reporting period, other than as provide below.

6.2 On August 4, 2021, a claim was filed with the Lod District Court, together with a motion for its certification as a class action, against the subsidiary Strauss Water Ltd. The action pertains, inter alia, to arguments that Strauss Water has abused, and continues to abuse, its monopoly power in the market for branded water filtration bars with a carbonation function, and in the associated market for filling CO2 canisters; imposes a tying arrangement on consumers in a manner that is harmful to competition, and charges excessive prices; that the license that is part of the purchase of the product constitutes a standard form contract that contains depriving conditions; and that Strauss Water has benefited from unjust enrichment at the expense of its customer public. The relief sought, inter alia, is the refund of the gains of said unjust enrichment, which at the present stage are estimated at approximately NIS 73 million. Alternatively, the relief sought is

Note 6 - Contingent Liabilities (cont'd)

compensation for the damages caused as a result of excessive pricing for the purchase and filling of CO2 canisters, which are estimated at approximately NIS 66 million. It is noted that additional remedies were also sought in the claim. At the present stage, Strauss Water is reviewing the details of the claim, and accordingly, in the estimate of Company management and based on the opinion of its legal counsel, the chances of its certification as a class action cannot be estimated, and, if certified, the chances of its success cannot be estimated.

6.3 The Company did not recognize provisions for claims pending as at June 30, 2021, which, in the opinion of its legal counsel, are not expected to be accepted or the chances of which cannot be estimated. The amount of claims whose chances cannot be estimated, which are not mentioned in this note, is immaterial.

Note 7 – Investment in Equity-Accounted Investees

7.1 Concise information on material equity-accounted investees:

	Sabra Dipping Company			Três Corações Alimentos S.A.		
	June 30		December 31	June 30		December 31
	2021	2020	2020	2021	2020	2020
	Unaudited		Audited	Unaudited		Audited
	NIS millions					
Current assets	335	*408	291	1,144	1,149	1,134
Of which:						
Cash and cash equivalents	79	124	71	96	367	388
Non-current assets	486	526	486	912	736	865
Total assets	821	*934	777	2,056	1,885	1,999
Current liabilities	156	*139	164	845	861	839
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	14	7	14	367	429	401
Non-current liabilities	82	105	91	327	259	377
Of which:						
Financial liabilities excluding trade payables, other payables and provisions	73	97	79	247	240	299
Total liabilities	238	*244	255	1,172	1,120	1,216

* Reclassified

Note 7 – Investment in Equity-Accounted Investees (cont'd)

	Sabra Dipping Company					Três Corações Alimentos S.A.				
	For the six months ended		For the three months ended		For the year ended	For the six months ended		For the three months ended		For the year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited				Audited	Unaudited				Audited
	NIS millions									
Income	608	674	321	319	1,281	1,461	1,422	846	734	2,946
Profit for the period	40	56	18	29	88	56	79	42	50	178
Other comprehensive income (loss)	7	1	(13)	(19)	(46)	54	(296)	104	(73)	(332)
Total comprehensive income (loss)	47	57	5	10	42	110	(217)	146	(23)	(154)
Of which:										
Depreciation and amortization	22	23	11	12	45	31	30	15	14	58
Interest income	-	-	-	-	1	2	8	1	4	12
Interest expenses	1	2	1	1	3	11	12	6	5	26
Income tax income (expense)	*(16)	*(22)	*(7)	*(11)	*(35)	(9)	(7)	(9)	(5)	4

* Mainly reflects statutory income tax in respect of Sabra Dipping Company, which is assessed in the holding company, S.E. USA, Inc.

Note 7 –Investment in Equity-Accounted Investees (cont'd)

7.2 The Group has attached the condensed consolidated interim financial statements of Três Corações Alimentos S.A., an equity-accounted investee (50% owned by the Group) in Brazil, to these condensed consolidated interim financial statements. The investee's presentation currency is the Brazilian real.

7.3 Following are the average exchange rates and rates of change in the Brazilian real to shekel exchange rates during the reporting period:

	Shekel-real exchange rate		
	Average exchange rate for the period	**Closing rate for the period**	**% change based on closing rate**
For the six-month period ended on:			
June 30, 2021	0.61	0.66	6.0
June 30, 2020	0.72	0.64	(26.0)
For the three-month period ended on:			
June 30, 2021	0.62	0.66	13.1
June 30, 2020	0.66	0.64	(7.2)
For the year ended December 31, 2020	0.67	0.62	(27.9)

Since the beginning of the year through to the date of approval of the financial statements, the Brazilian real has depreciated against the shekel by approximately 1%.

Note 8 - Financial Instruments

8.1 Fair value of financial instruments measured at fair value for disclosure purposes only

The carrying amount of cash and cash equivalents, short and long-term deposits and investments, trade receivables, other receivables and debit balances, trade payables, other payables and credit balances is the same as or proximate to their fair value. There was no material change in the fair value (as stated in the Annual Financial Statements) of long-term loans.

Presented below are the fair value, based on the prices of the Tel Aviv Stock Exchange, and carrying amounts (including accrued interest) as presented on the statement of financial position, of the Company's debentures:

	June 30, 2021		June 30, 2020		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Unaudited				Audited	
	NIS millions					
Series D Debentures	-	-	177	188	-	-
Series E Debentures	540	584	569	619	570	622
Series F Debentures	692	699	-	-	691	718

8.2 Fair value hierarchy of financial instruments measured at fair value

The different levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in an active market for similar instruments.
- Level 2: Inputs, directly or indirectly, other than quoted prices within Level 1.
- Level 3: Inputs that are not based on observable market data.

	June 30, 2021		June 30, 2020		December 31, 2020	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
	Unaudited				Audited	
	NIS millions					
Financial assets (liabilities)						
Trade receivables- derivatives	35	3	6	6	18	3
Trade payables- derivatives	(12)	(5)	(19)	(4)	(5)	(16)
	23	(2)	(13)	2	13	(13)

For details on the method of determining the fair value of derivative financial instruments measured at Level 2, see Note 28.7.2.1 to the Annual Financial Statements.

Note 9 – Events After the Reporting Period

9.1 For information on developments in pending claims after the date of the statement of financial position, see Note 6.2.

9.2 On July 29, 2021 the remuneration committee approved a granted of 93,332 option warrants to two managers. The exercise price was set at the average closing price of the Company's share in the 30 trading days that preceded the grant date, plus a 5% premium. Entitlement to exercise the options will vest in two equal tranches on July 29 of each of the years 2023 and 2024. According to an initial estimate, the value of grant is approximately NIS 1 million**.**

9.3 In July 2021, a funding round was completed by an investee in The Kitchen FoodTech Hub. Following the completion of this round the Group's holding in the equity-accounted investee decreased, and the Group has significant influence. Consequently, the Group will recognize a gain of approximately NIS 58 million on the decrease in holding rate.

9.4 In July 2021, the Company entered into an agreement for the acquisition of a 51% stake in Wyler Farms, which is active in the production of tofu. The transaction is subject to the satisfaction of suspending conditions, including approval by the Competition Authority, which, on the date of approval of the financial statements, have not yet been completed.

9.5 In the first half of 2021 and in the second quarter (to a greater extent), the average market prices of green coffee rose significantly compared to the corresponding periods last year.

In July 2021, severe frost in Brazil ravaged Arabica plantation areas in the states of Minas Gerais, São Paolo and Paraná, which are the major coffee growing regions in the country. Some of the plantations were caused damage as a result of the harm caused to the crops, which may lead to some producers being forced to uproot the affected coffee plantations. At this stage, it is difficult to assess the damage to crop yields for 2022 and its impact on coffee prices. As a result of the frost, the upward trend in the prices of the various coffee species, which began at the end of 2020, grew stronger. The impact on coffee prices is expected to become fully clear once the weather conditions for entire crop season are known.

In 2021, the Três Corações began to implement gradual price increases to compensate for the impact of the rise in green coffee prices. From the beginning of the year through to the date of approval of the financial statements, the prices of Arabica and Robusta green coffee rose by approximately 43% and 33%, respectively. In addition to the revision of its sales prices to customers, the coffee company is taking steps to further mitigate the impacts arising from the increase in coffee prices by applying the Group's formal hedging policy, mitigation plans and operational efficiency enhancement.

Strauss Group LTD.

Separate Financial Information

as at June 30 ,2021

Unofficial Translation from Hebrew

Strauss Group Ltd.

Separate Financial Information as at June 30, 2021

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Strauss Group Ltd.

Condensed Interim Information on Financial Position

	June 30 2021	June 30 2020	December 31 2020
	Unaudited	Unaudited	Audited
		NIS Millions	
Current assets			
Cash and cash equivalents	33	100	204
Trade receivables	172	177	185
Income tax	-	-	8
Other receivables and debit balances	53	57	34
Investee receivables	115	164	110
Inventory	132	126	135
Assets held for sale	5	5	5
Total current assets	510	629	681
Investments and non-current assets			
Investments in investees	2,375	2,077	2,115
Other investments and long-term debt balances	539	578	531
Right-of-use assets	95	81	96
Fixed assets	945	936	937
Investment property	3	3	3
Intangible assets	48	44	48
Total investments and non-current assets	4,005	3,719	3,730
Total assets	4,515	4,348	4,411

Ofra Strauss Chairperson of the Board of Directors	Giora Bardea Chief Executive Officer	Ariel Chetrit Chief Financial Officer

Date of approval of the separate financial information: August 16, 2021

The attached information is an integral part of the separate financial information.

Strauss Group Ltd.

Condensed Interim Information on Financial Position (cont'd)

	June 30 2021	June 30 2020	December 31 2020
	Unaudited	Unaudited	Audited
		NIS Millions	
Current liabilities			
Current maturities of debentures	30	67	30
Short-term credit and current maturities of long-term loans and other long-term liabilities	20	263	-
Current maturities of lease liabilities	41	34	38
Trade payables	223	206	196
Income tax	4	37	-
Other payables and credit balances	216	234	241
Investee payables	171	145	127
Dividend declared and not yet paid	-	-	70
Provisions	7	-	-
Total current liabilities	712	986	702
Non-current liabilities			
Debentures	1,202	677	1,231
Long-term loans and other long-term liabilities	-	331	-
Lease liabilities	62	58	67
Long-term payables and credit balances	21	22	16
Employee benefits, net	26	27	29
Deferred tax liabilities	110	102	106
Total non-current liabilities	1,421	1,217	1,449
Total equity attributable to the shareholders of the Company	2,382	2,145	2,260
Total liabilities and equity	4,515	4,348	4,411

The attached information is an integral part of the separate financial information.

Strauss Group Ltd.

Condensed Interim Information on Income

	For the six months ended		For the three months ended		For the year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited		Unaudited		Audited
	NIS Millions				
Sales	521	542	230	221	1,034
Cost of sales	331	341	150	142	664
Gross profit	190	201	80	79	370
Selling and marketing expenses	107	119	55	59	227
General and administrative expenses	48	42	20	17	86
	155	161	75	76	313
Operating profit before other expenses	35	40	5	3	57
Other income	-	1	-	1	1
Other expenses	(1)	(1)	(1)	(1)	(1)
Other income, net	(1)	-	(1)	-	-
Operating profit	34	40	4	3	57
Financing income	11	14	4	6	22
Financing expenses	(18)	(44)	(14)	(36)	(101)
Financing expenses, net	(7)	(30)	(10)	(30)	(79)
Income (loss) before taxes	27	10	(6)	(27)	(22)
Income tax	(13)	(1)	(1)	19	(12)
Net income (loss) after taxes	14	9	(7)	(8)	(34)
Income from investees	319	273	137	134	567
Income for the period attributable to the shareholders of the Company	333	282	130	126	533

The attached information is an integral part of the separate financial information.

Strauss Group Ltd.

Condensed Interim Information on Comprehensive Income

	For the six months ended		For the three months ended		For the year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited		Unaudited		Audited
	NIS Millions				
Income for the period attributable to the shareholders of the Company	333	282	130	126	533
Other comprehensive income (loss) items that will be reclassified to profit or loss in subsequent periods:					
Other comprehensive income (loss) from investees	46	(243)	60	(39)	(316)
Total other comprehensive income (loss) items for the period that will be reclassified to profit or loss in subsequent periods, net	46	(243)	60	(39)	(316)
Other comprehensive income items that will not be reclassified to profit or loss in subsequent periods:					
Changes in employee benefits, net	3	1	2	-	-
Total other comprehensive income items that will not be reclassified to profit or loss in subsequent periods, net	3	1	2	-	-
Comprehensive income for the period attributable to the shareholders of the Company	382	40	192	87	217

The attached information is an integral part of the separate financial information.

Strauss Group Ltd.

Condensed Interim Information on Cash Flows

	For the six months ended		For the three months ended		For the year ended
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	December 31 2020
	Unaudited		Unaudited		Audited
	NIS Millions				
Cash flows from operating activities					
Income for the period attributable to the shareholders of the company	333	282	130	126	533
Adjustments:					
Depreciation	49	47	25	23	98
Amortization of intangible assets	7	6	4	3	13
Expenses in respect of share-based payment	7	5	4	3	12
Income from investees	(319)	(273)	(137)	(134)	(567)
Financing expenses (income), net	7	30	10	30	79
Income tax	13	1	1	(19)	12
Change in inventory	3	9	(19)	(3)	1
Change in trade and other receivables	(10)	(13)	32	68	(2)
Change in investee receivables	(8)	13	(7)	27	1
Change in trade and other payables	3	(4)	(40)	(72)	5
Change in investee payables	44	3	(51)	(24)	(16)
Change in employee benefits	2	1	1	1	2
Interest paid	(16)	(28)	(15)	(11)	(92)
Interest received	1	1	1	1	24
Income tax paid, net	7	(14)	11	(1)	(72)
Net cash provided by operating activities	123	66	(50)	18	31
Cash flows from investing activities					
Proceeds from sale of fixed and other assets	-	4	-	2	5
Investment in fixed assets	(28)	(25)	(13)	(14)	(66)
Investment in intangible assets	(8)	(4)	(4)	(2)	(13)
Repayment of long-term loans	7	5	3	3	15
Loans granted	(7)	(7)	(5)	(1)	(17)
Dividends from investees	119	107	113	107	289
Cash received in respect of investing activities with investees	-	27	-	6	122
Cash paid in respect of investing activities with investees	(6)	(49)	(2)	(12)	(53)
Sublease income	1	-	1	-	-
Net cash provided by (used in) investing activities	78	58	93	89	282
Cash flows from financing activities					
Repayment of debentures and long-term loans	(30)	(118)	(30)	(30)	(258)
Early redemption of debentures and loans	-	-	-	-	(555)
Short-term bank credit, net	20	60	20	60	-
Dividends paid	(340)	(180)	(270)	(180)	(180)
Proceeds from issuance of debentures, net of issuance costs	-	-	-	-	691
Repayment of principal of lease liabilities	(22)	(21)	(11)	(10)	(42)
Net cash used in financing activities	(372)	(259)	(291)	(160)	(344)
Net increase (decrease) in cash and cash equivalents	(171)	(135)	(248)	(53)	(31)
Cash and cash equivalents as at beginning of period	204	235	281	153	235
Cash and cash equivalents as at end of period	33	100	33	100	204

The attached information is an integral part of the separate financial information.

Note 1 - Reporting Rules and Accounting Policies

1.1 General

1.1.1 The Company's business comprises the activity of Group Headquarters, the Group's salads (dips and spreads) business in Israel and the Group's confectionery business in Israel, which includes the development, manufacture and marketing of branded candy products.

1.1.2 The Interim Separate Financial Information of Strauss Group Ltd. (hereinafter: the "Company") is presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 and the Tenth Addendum to the said regulations with respect to the separate financial information of the corporation. This financial information should be read in conjunction with the Financial Information as at and for the year ended on December 31, 2020, and in conjunction with the Condensed Consolidated Interim Financial Statements as at June 30, 2021 (hereinafter: the "Condensed Consolidated Interim Financial Statements").

The accounting policy in this Separate Interim Financial Information was applied consistently with the accounting policy and rules described in the Separate Financial Information as at December 31, 2020.

1.1.3 In this Separate Financial Information – the Company and investee companies as defined in Note 1 to the Consolidated Financial Statements of the Company as at December 31, 2020.

1.1.4 The Interim Separate Financial Information is presented in NIS, which is the Company's functional currency. The financial information is presented in NIS millions and rounded to the nearest million.

Note 2 - Seasonality

Confectionery sales in Israel are characterized by seasonality and are generally higher in the first quarter of the year. Seasonality is mainly affected by the winter months, when greater consumption of chocolate products is typical. There is no clear trend of seasonality in the salads category in Israel.

For further information on the effects of the coronavirus pandemic on the Group's activity, see Note 4.2 to the Condensed Consolidated Interim Financial Statements.

Note 3 - Material Events during the Reported Period

3.1 On April 13, 2021 the subsidiary Strauss Coffee declared a dividend distribution at the amount of NIS 25 million, which was paid to the Company on April 21, 2021.

3.2 For further information on material events in the reporting period, see Note 4 to the Condensed Consolidated Interim Financial Statements.

Note 4 - Share-Based Payment

For information on share-based payment see Note 5 to the Condensed Consolidated Interim Financial Statements.

Note 5 - Contingent liabilities

For information on contingent liabilities see Note 6 to the Condensed Consolidated Interim Financial Statements.

Note 6 - Financial Instruments

6.1 Fair value of financial instruments

For information on the fair value of financial instruments, see Note 8.1 to the Condensed Consolidated Interim Financial Statements.

6.2 Fair value hierarchy of financial instruments measured at fair value

For information on the fair value hierarchy of financial instruments measured at fair value, see Note 8.2 to the Condensed Consolidated Interim Financial Statements.

Note 7 – Post-Statement of Financial Position Date Events

7.1 On July 28, 2021 the subsidiary Strauss Coffee declared a dividend distribution at the amount of NIS 21.4 million, which was paid to the Company on August 2, 2021.

7.2 For further information on events occurring after the statement of financial position date, see Note 9 to the Condensed Consolidated Interim Financial Statements.

Strauss Group LTD.

Quarterly Report on the Effectiveness of Internal Control

QUARTERLY REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE PURSUANT TO REGULATION 38c(a):

Management, under the supervision of the board of directors of Strauss Group Ltd. (the "Corporation"), is responsible for determining and maintaining proper internal control over financial reporting and disclosure within the Corporation.

For this purpose, the members of management are:

1. Giora Bardea, Chief Executive Officer;
2. Ronen Zohar, Deputy Chief Executive Officer;
3. Ariel Chetrit, Chief Financial Officer;
4. Shahar Florence, Chief Growth and Innovation Officer;
5. Mike Avner, EVP, CLO and Company Secretary;
6. Hila Mukevisius, SVP HR;

Internal control over financial reporting and disclosure includes controls and procedures existing within the Corporation, which were planned by or under the supervision of the CEO and the most senior financial officer, or by anyone performing such functions in practice, under the supervision of the board of directors of the Corporation, which are designed to provide a reasonable level of assurance regarding the reliability of financial reporting and preparation of the reports according to the provisions of the law, and to ensure that information which the Corporation is required to disclose in reports released thereby according to the law is gathered, processed, summarized and reported within the time frames and in the format set forth in the law.

Internal control includes, *inter alia*, controls and procedures which were planned to ensure that information which the Corporation is required to disclose as aforesaid, is gathered and transferred to the management of the Corporation, including the Chief Executive Officer and the most senior financial officer or anyone performing such functions, in order to enable decisions in reference to the disclosure requirement to be made in a timely manner.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide full assurance that misrepresentation or omission of information in the reports is prevented or detected.

In the Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure,

which was attached to the Periodic Report for the period ended March 31, 2021 (hereinafter: the

"Latest Quarterly Report on Internal Control"), the Board of Directors and Management of the corporation reached the conclusion that internal control as at March 31, 2021 is effective.

Until the reporting date the Board of Directors and Management were not informed of any event or

matter that are able to alter the evaluation of the effectiveness of the internal control, as presented in the Latest Quarterly Report on the Internal Control.

As at the reporting date, based on the evaluation of the effectiveness of internal control in the Latest

Quarterly Report on Internal Control, and based on information brought to the knowledge of

Management and the Board of Directors as mentioned above, internal control is effective.

MANAGERS' DECLARATIONS:

A. Declaration by the Chief Executive Officer pursuant to Regulation 38c(d)(1):

I, Giora Bardea, declare that:

(1) I have reviewed the Quarterly Report of Strauss Group Ltd. (the "Corporation") for the second quarter of 2021 (the "Reports" or the "Interim Reports").

(2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, nor omit any representation of a material fact which is required for the representations included therein, in view of the circumstances in which such representations were included, not to be misleading in reference to the period of the Reports.

(3) To my knowledge, the Financial Statements and other financial information included in the Reports adequately reflect, in all material respects, the financial condition, results of operations and cash flows of the Corporation for the dates and periods to which the Reports relate.

(4) I have disclosed to the Corporation's auditor and to the Corporation's board of directors and the audit and financial statement committees, based on my most current assessment of internal control over financial reporting and disclosure:

   a. Any and all significant flaws and material weaknesses in the determination or operation of internal control over financial reporting and disclosure which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the Financial Statements in accordance with the provisions of the law; and -

   b. Any fraud, either material or immaterial, which involves the Chief Executive Officer or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;

(5) I, either alone or jointly with others in the Corporation:

   a. Have determined controls and procedures, or confirmed the determination and existence of controls and procedures under my supervision, which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 2010, is presented to me by others within the Corporation and the consolidated companies, particularly during the period of preparation of the Reports; and -

   b. Have determined controls and procedures or confirmed the determination and existence of controls and procedures under my supervision, which are designed to provide reasonable assurance of the reliability of financial reporting and preparation of the

Financial Statements according to the provisions of the law, including in accordance with Generally Accepted Accounting Principles.

c. I Was not informed of any event or matter occurring in the period between the date of the latest report (the Periodic Report as at March 31, 2021) and the date of the Reports, which could alter the conclusion of the Board of Directors and Management regarding the effectiveness of the Corporation's internal control over financial reporting and disclosure.

The foregoing shall not derogate from my responsibility or from the responsibility of any other person, pursuant to applicable law.

August 16, 2021

Giora Bardea, Chief Executive Officer

MANAGERS' DECLARATIONS:

B. Declaration by the most senior financial officer pursuant to Regulation 38c(d)(2):

I, Ariel Chetrit, declare that:

(1) I have reviewed the Interim Financial Statements and the other financial information included in the interim reports of Strauss Group Ltd. (hereinafter: the "Corporation") for the first second of 2021 (hereinafter: the "Reports" or the "Interim Reports").

(2) To my knowledge, the Interim Financial Statements and other financial information contained in the Interim Reports do not contain any misrepresentation of a material fact, nor omit any representation of a material fact which is required for the representations included therein, in view of the circumstances in which such representations were included, not to be misleading in reference to the period of the Reports.

(3) To my knowledge, the Financial Statements and other financial information included in the Interim Reports adequately reflect, in all material respects, the financial condition, results of operations and cash flows of the Corporation for the dates and periods to which the Reports relate;

(4) I have disclosed to the Corporation's auditor and to the Corporation's board of directors and the audit and financial statement committees, based on my most current assessment of internal control over financial reporting and disclosure:

a. Any and all significant flaws and material weaknesses in the determination or operation of internal control over financial reporting and disclosure insofar as it relates to the Interim Financial Statements and other financial information included in the Interim Reports, which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the Financial Statements in accordance with the provisions of the law; and -

b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;

(5) I, either alone or jointly with others in the Corporation:

a. Have determined controls and procedures, or confirmed the determination and existence of controls and procedures under my supervision, which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 2010, insofar that it is relevant to the Financial Statements and other financial information included in the Reports, is presented to me by others within the Corporation and the consolidated companies, particularly during the period of preparation of the Reports; and -

b. Have determined controls and procedures, or confirmed the determination and existence of controls and procedures under our supervision, which are designed to provide reasonable assurance of the reliability of financial reporting and preparation of the Financial Statements according to the provisions of the law, including in accordance with Generally Accepted Accounting Principles;

c. I was not informed of any event or matter occurring in the period between the date of the latest report (the Periodic Report as at March 31, 2021) and the date of the Reports, which I estimate could alter the conclusion of the Board of Directors and Management regarding the effectiveness of the Corporation's internal control over financial reporting and disclosure.

d. The foregoing shall not derogate from my responsibility or from the responsibility of any other person, pursuant to applicable law.

August 16, 2021

Ariel Chetrit, Chief Financial Officer

Strauss

Strauss Group LTD.

Inclusion of the Financial Statements of an Investee Pursuant

to Regulation 44 of the Securities Regulations, 1970

Três Corações Alimentos S.A.

Condensed consolidated interim financial statements as of and for the three and six month periods ended 30 June 2021 and independent auditors' report on review of condensed consolidated interim financial statements

Contents

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Independent auditors' report on review of condensed consolidated interim financial statements

To
Directors and shareholders of Três Corações Alimentos S.A.
Eusébio - Ceará

Introduction
We have reviewed the accompanying 30 June 2021 condensed consolidated interim financial statements of Três Corações Alimentos S.A. ("the Company"), which comprise:

- the condensed consolidated statement of financial position as at 30 June 2021;
- the condensed consolidated statement of income and other comprehensive income for the three and six month periods ended 30 June 2021;
- the condensed consolidated statement of changes in equity for the three and six month periods ended 30 June 2021;
- the condensed consolidated statement of cash flows for the three and six month periods ended 30 June 2021 and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Statement Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Fortaleza, August 12, 2021

KPMG Auditores Independentes
CRC SP-014428/O-6 S-CE

Marcelo Pereira Gonçalves
Accountant CRC SP 220026/O-3

(In thousand of Brazilian Reais)

	30 June 2021	31 December 2020		30 June 2021	31 December 2020
Assets			**Liabilities and equity**		
Current			**Current**		
Cash and cash equivalents	146,266	627,002	Short term loans	534,608	621,269
Deposits	18,286	10,743	Trade payables	577,745	472,106
Trade receivables	717,695	456,646	Short term lease liabilities	24,339	27,277
Inventories	728,143	615,743	Income tax payables	8,176	21
Recoverable taxes	104,150	93,069	Employees and other payroll related liabilities	82,425	69,707
Income tax receivables	11,769	11,656	Proposed dividends	-	58,526
Other current assets	17,496	17,707	Interest on equity payable	15,540	44,724
	1,743,805	**1,832,566**	Payable taxes	17,608	28,729
			Other current liabilities	26,870	33,208
Non-current				**1,287,311**	**1,355,567**
Judicial deposits	7,551	8,012			
Loans to related parties	12,428	12,272	**Non-current**		
Recoverable taxes	144,692	140,426	Long term loans	321,949	417,932
Other non-current assets	55,277	63,411	Long term lease liabilities	54,805	65,324
Deferred tax assets	7,382	6,634	Other non-current liabilities	42,677	44,332
Investments	60,373	53,401	Deferred tax liabilities	18,522	14,359
Fixed assets	639,452	636,233	Provision for legal proceedings	60,686	66,757
Intangible assets	394,132	396,532		**498,639**	**608,704**
Right-of-use assets	67,281	80,920			
	1,388,568	**1,397,841**			
			Equity		
			Share capital	275,531	275,531
			Translation reserve	(167,761)	(172,316)
			Retained earnings	1,237,067	1,161,063
			Equity attributable to owners of the Company	1,344,837	1,264,278
			Non-controlling interests	1,586	1,858
			Total Equity	**1,346,423**	**1,266,136**
Total assets	**3,132,373**	**3,230,407**	**Total liabilities and equity**	**3,132,373**	**3,230,407**

The accompanying notes are an integral part of these condensed consolidated financial statements.

(In thousand of Brazilian Reais)

	Six month period ended 30 June		Three months period ended 30 June	
	2021	**2020**	**2021**	**2020**
Revenue	2,398,644	2,001,701	1,371,333	1,124,156
Cost of sales	(1,842,973)	(1,448,360)	(1,057,011)	(825,801)
Gross profit	**555,671**	**553,341**	**314,322**	**298,355**
Selling and marketing expenses	(355,128)	(333,706)	(190,752)	(172,218)
General and administrative expenses	(85,003)	(83,470)	(44,169)	(37,988)
Equity method	7,782	4,252	3,743	3,212
Other income (expenses), net	78	(1,467)	2,638	(777)
Operating profit	**123,400**	**138,950**	**85,782**	**90,584**
Financial income	3,732	10,356	1,884	5,065
Financial expenses	(19,937)	(23,822)	(4,555)	(9,881)
Net financial expenses	**(16,205)**	**(13,466)**	**(2,671)**	**(4,816)**
Profit before income tax	**107,195**	**125,484**	**83,111**	**85,768**
Income tax expenses	(14,741)	(11,444)	(14,606)	(8,372)
Profit for the period	**92,454**	**114,040**	**68,505**	**77,396**
Profit attributable to:				
Owners of the Company	92,804	115,224	68,786	77,700
Non-controlling interests	(350)	(1,184)	(281)	(304)
Total profit for the period	**92,454**	**114,040**	**68,505**	**77,396**

The accompanying notes are an integral part of these condensed consolidated financial statements.

(In thousand of Brazilian Reais)

	Six months period ended 30 June		Three months period ended 30 June	
	2021	**2020**	**2021**	**2020**
Profit attributable to:	92,454	114,040	68,505	77,396
Other comprehensive income (loss) items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences	4,555	(49,239)	6,570	(24,796)
Comprehensive income for the period	**97,009**	**64,801**	**75,075**	**52,600**
Comprehensive income attributable to:				
Owners of the Company	97,359	65,985	75,356	52,904
Non-controlling interests	(350)	(1,184)	(281)	(304)
Total comprehensive income for the period	**97,009**	**64,801**	**75,075**	**52,600**

The accompanying notes are an integral part of these condensed consolidated financial statements.

(In thousand of Brazilian Reais)

	Share capital	Retained earnings: Legal reserve	Retained earnings: Tax incentives	Retained earnings: Profit to distribute	Translation adjustments	Accumulated profit	Total	Non- controlling interests	Total Equity
Balance as of 31 March 2020	**275,531**	**55,106**	**396,685**	**563,279**	**(125,766)**	**-**	**1,164,835**	**1,568**	**1,166,403**
Profit for the period	-	-	-	-	-	77,700	77,700	(304)	77,396
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	(24,796)	-	(24,796)	-	(24,796)
Total other comprehensive gain (loss):	-	-	-	-	(24,796)	77,700	52,904	(304)	52,600
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	624	624
State VAT and Federal tax incentives	-	-	16,986	-	-	(16,986)	-	-	-
Profit destination									-
Interest on equity credited	-	-	-	-	-	(15,750)	(15,750)	-	(15,750)
Reserve for profit to be distributed	-	-	-	44,964	-	(44,964)	-	-	-
	-	-	16,986	44,964	-	(77,700)	(15,750)	624	(15,126)
Balance as of 30 June, 2020	**275,531**	**55,106**	**413,671**	**608,243**	**(150,562)**	**-**	**1,201,989**	**1,888**	**1,203,877**
Balance as of 31 March 2021	**275,531**	**55,106**	**459,796**	**670,179**	**(174,331)**	**-**	**1,286,281**	**1,842**	**1,288,123**
Profit for the period	-	-	-	-	-	68,786	68,786	(281)	68,505
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	6,570	-	6,570	-	6,570
Total other comprehensive gain (loss):	-	-	-	-	6,570	68,786	75,356	(281)	75,075
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	25	25
State VAT and Federal tax incentives	-	-	15,273	-	-	(15,273)	-	-	-
Profit destination									-
Interest on equity credited	-	-	-	-	-	(16,800)	(16,800)	-	(16,800)
Reserve for profit to be distributed	-	-	-	36,713	-	(36,713)	-	-	-
	-	-	15,273	36,713	-	(68,786)	(16,800)	25	(16,775)
Balance as of 30 june, 2021	**275,531**	**55,106**	**475,069**	**706,892**	**(167,761)**	**-**	**1,344,837**	**1,586**	**1,346,423**

The accompanying notes are an integral part of these condensed consolidated financial statements.

(In thousand of Brazilian Reais)

	Share capital	Retained earnings Legal reserve	Tax incentives	Profit to distribute	Translation reserve	Accumulated profit	Total	Non- controlling interests	Total Equity
Balance as of 31 December, 2019	**275,531**	**55,106**	**385,086**	**553,454**	**(101,323)**	**-**	**1,167,854**	**1,715**	**1,169,569**
Profit for the year	-	-	-	-	-	115,224	115,224	(1,184)	114,040
									-
Other comprehensive loss:									-
Foreign currency translation differences	-	-	-	-	(49,239)	-	(49,239)	-	(49,239)
Total other comprehensive gain (loss):	-	-	-	-	(49,239)	115,224	65,985	(1,184)	64,801
Internal equity changes									
									-
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	1,357	1,357
									-
State VAT and Federal tax incentives	-	-	28,585	-	-	(28,585)	-	-	-
									-
Profit destination									-
Interest on equity credited	-	-	-	-	-	(31,850)	(31,850)	-	(31,850)
Reserve for profit to be distributed	-	-	-	54,789	-	(54,789)	-	-	-
	-	-	28,585	54,789	-	(115,224)	(31,850)	1,357	(30,493)
Balance as of 30 June, 2020	**275,531**	**55,106**	**413,671**	**608,243**	**(150,562)**	**-**	**1,201,989**	**1,888**	**1,203,877**
Balance as of 31 December, 2020	**275,531**	**55,106**	**449,550**	**656,407**	**(172,316)**	**-**	**1,264,278**	**1,858**	**1,266,136**
Profit for the period	-	-	-	-	-	92,804	92,804	(350)	92,454
Other comprehensive loss:									
Foreign currency translation differences	-	-	-	-	4,555	-	4,555	-	4,555
Total other comprehensive gain (loss):	-	-	-	-	4,555	92,804	97,359	(350)	97,009
Internal equity changes									
Non-reciprocal capital contributions to subsidiary	-	-	-	-	-	-	-	78	78
State VAT and Federal tax incentives	-	-	25,519	-	-	(25,519)	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-
Profit destination									-
Interest on equity credited	-	-	-	-	-	(16,800)	(16,800)	-	(16,800)
Reserve for profit to be distributed	-	-	-	50,485	-	(50,485)	-	-	-
	-	-	25,519	50,485	-	(92,804)	(16,800)	78	(16,722)
Balance as of 30 June, 2021	**275,531**	**55,106**	**475,069**	**706,892**	**(167,761)**	**-**	**1,344,837**	**1,586**	**1,346,423**

The accompanying notes are an integral part of these condensed consolidated financial statements.

(In thousand of Brazilian Reais)

	Six months period ended 30 June		Three months period ended 30 June	
	2021	**2020**	**2021**	**2020**
Cash flows from operating activities				
Profit for the period	92,454	114,040	68,505	77,396
Adjustments for:				
Depreciation and amortization	47,379	41,749	23,349	21,057
Gains in tax lawsuits	(12,903)	(20,491)	(3,065)	-
Termination of lease contracts	(606)	(13)	(606)	-
Provision for legal proceedings	(6,071)	3,715	(5,423)	489
Other income, net	(78)	1,467	(2,638)	777
Equity method	(7,782)	(4,252)	(3,743)	(3,212)
Finance expenses, net	16,205	13,466	2,671	4,816
Income tax expenses	14,741	11,444	14,606	8,372
Change in:				
Trade receivables	(259,499)	(199,308)	(153,420)	(135,840)
Inventories	(113,594)	(42,655)	(115,133)	8,121
Recoverable and payable taxes, net	(14,662)	(25,247)	(5,789)	(28,644)
Judicial deposits	461	1,275	(18)	43
Trade payables	105,639	72,812	131,194	54,766
Employees and other payroll related liabilities	12,718	34,059	12,682	24,282
Other current and non-current assets and liabilities	430	(2,740)	921	3,547
Change in operating activities	**(125,168)**	**(679)**	**(35,907)**	**35,970**
Interest paid	(25,205)	(19,899)	(7,482)	(12,558)
Interest received	3,156	9,518	1,387	4,377
Income tax paid	(27)	(1,589)	(10)	(1,569)
Net cash flows used in operating activities	**(147,244)**	**(12,649)**	**(42,012)**	**26,220**
Cash flows from investing activities				
Change in deposits	(7,851)	(6,180)	(10,113)	(3,728)
Payment for acquisition of operations, net of cash	-	(31,911)	-	(511)
Proceeds from sales of fixed assets	8,392	1,292	6,797	1,009
Acquisition of fixed assets	(41,466)	(51,973)	(18,856)	(22,247)
Investments in intangible assets	(5,860)	(1,464)	(5,171)	(652)
Dividend received	779	-	779	-
Net cash flows used in investing activities	**(46,006)**	**(90,236)**	**(26,564)**	**(26,129)**
Cash flows from financing activities				
Proceeds from loans	221,911	626,969	212,662	332,051
Repayment of loans	(396,946)	(475,688)	(88,800)	(394,264)
Payment of lease liabilities	(9,201)	(8,269)	(4,578)	(4,079)
Interest on equity paid	(44,724)	-	(44,724)	-
Dividend paid	(58,526)	-	(58,526)	-
Net cash flows provided by (used in) financing activities	**(287,486)**	**143,012**	**16,034**	**(66,292)**
Net increase (decrease) in cash and cash equivalents	**(480,736)**	**40,127**	**(52,542)**	**(66,201)**
Net increase (descrease) in cash and cash equivalents				
Cash and cash equivalents as at beginning of period	627,002	538,045	-	644,373
Cash and cash equivalents as at end of period	146,266	578,172	(52,542)	578,172
	(480,736)	**40,127**	**(52,542)**	**(66,201)**

#

1 General information

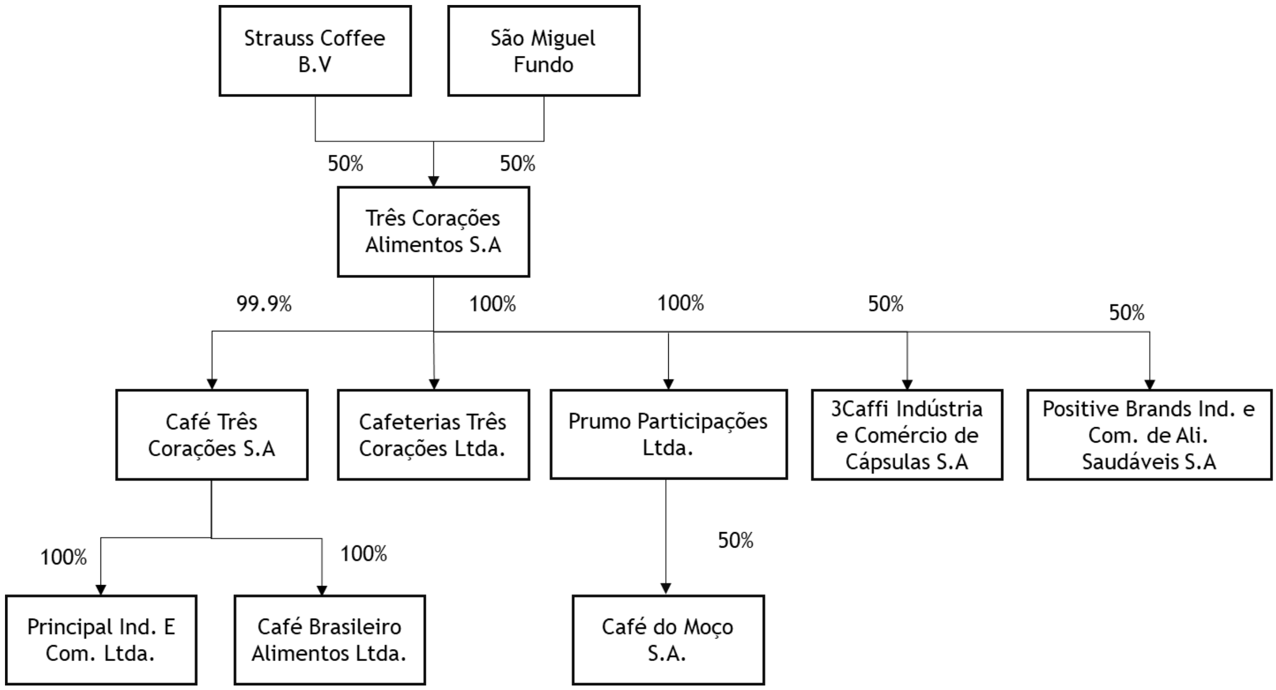
Três Corações Alimentos S.A. (the “Company”) together with its subsidiaries (the “Group”) are an industrial and commercial Group, which operate in Brazil, in producing and selling branded coffee products, multi-beverage single portion capsules and machines, powdered juices, chocolate drinks and corn meal products. The Group is also active in green coffee exports, lending Away-From-Home machines, operation of cafeterias, roasting and selling specialty coffees in e-commerce and to third party businesses and investing in other companies. The Group also operates in the industrialization and sales of plant-based beverages, especially nuts milk and isotonic ones, cashew butter and cashew and nuts snacks.

The Company is located at Rua Santa Clara, 100, Parque Santa Clara, Eusébio, Ceará, Brazil. The Company controls the entities Cafeterias Três Corações Ltda., Prumo Participações Ltda., which in turns controls the entity Café do Moço S.A. and also controls Café Três Corações S.A., which controls the entity Principal Comércio e Indústria de Café Ltda and the entity Café Brasileiro Alimentos Ltda. The Company also participates in joint-venture agreements, sharing the control with third parties of the companies 3Caffi Indústria e Comércio de Cápsulas S.A. (“3Caffi”) and Positive Brands Indústria e Comércio de Alimentos Saudáveis S.A. (“Positive Brands”), with 50% of shares in each company which are not consolidated in this report.

The Group is currently the largest group in roasted and ground coffee business in Brazil (information not reviewed by independent auditors), and owns the coffee and other food brands of Santa Clara, Kimimo, Três Corações, Pimpinela, Principal, Fino Grão, Café Doutor, Café Opção, Café Divinópolis, Café Geronymo, Estrada Real, Café Letícia, Itamaraty, Londrina, Chocolatto, Claralate, Dona Clara, Claramil, Frisco, Tornado, Tres, Iguaçu, Cruzeiro, Amigo, Cirol, Cirol Real, Realmil, Toko, Astoria, Manaus, Tapajós, Betânia, Tribo do Café, Bar Barista, Café do Moço, Café Brasileiro, Café 3 Fazendas, Café Bandeira, Café Premiado, .br, .br Gold and Coolate. In addition, the Group sells products with the brands A Tal da Castanha, Jungle, Nutco and Possible owned by the Positive Brands joint venture. The Apollo brand which was owned by Toko Paticipações e Empreendimentos S.A. and used by the Group as a result of a License agreement, with purchase option, now belongs to the Group since June, 2021 (see Note 3.5)

The Group’s industrial facilities are located in the states of Ceará, Rio Grande do Norte, Minas Gerais, Rio de Janeiro, Amazonas and, due to Café Brasileiro Alimentos Ltda. acquisition, there are two additional industrial facilities in the states of São Paulo and Mato Grosso. Distribution centers are located in almost all states of Brazil. In addition, the Group owns green coffee processing plants in the state of Minas Gerais. Part of the facilities used by the Group is leased from one of its related parties, Três Corações Imóveis Armazéns Gerais e Serviços Ltda., which is not consolidated in these financial statements, since it is not part of the Group structure presented below. Três Corações Imóveis Armazéns Gerais e Serviços Ltda. is owned by São Miguel Holding e Investimentos S.A. (50%) and Strauss Coffee B.V. (50%). The Group also owns cafeterias that are located in the cities of Fortaleza, Natal and Curitiba, the last one is owned by the subsidiary Café do Moço. Positive Brands’ physical structure is located in the state of Espírito Santo.

As of 30 June 2021, the Group has the following structure:



2 Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 regarding interim financial reporting. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the IFRS audited consolidated financial statements of the Company as of 31 December 2020 and for the year then ended, together with its accompanying notes (hereinafter - the "Annual Financial Statements").

These condensed consolidated interim financial statements were authorized for issue by the Company's Management on August 12, 2021.

2.2 Significant accounting policies

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2020. The Group has not adopted early any other standards, interpretations or amendments that have been issued but are not yet effective.

3 Material events during the reported period

3.1 Impacts of the coronavirus disease (COVID-19)

On March 11, 2020, the World Health Organization (WHO) declared the outbreak of the new coronavirus disease (COVID-19) as a pandemic. The virus has taken its toll on not just human life, but businesses and financial markets too, the extent of which is currently undetermined.

The Group is closely monitoring the potential impact of COVID-19 on the employees, communities, clients and suppliers, in order to respond in a timely manner and mitigate possible effects, as well as measuring its impact on the results as demonstrated in the financial statements.

The Group created a Corporate Crisis Management Commission, which is in charge of Group's internal actions to raise awareness of the risks and disseminate the measures that must be taken to minimize contamination by the virus. Among others, the participation of employees in public gatherings, as well as non-essential business travel, have been suspended up until the virus is contained.

Since the food segment is defined as an essential activity, the Group continues to operate regularly, with production, logistics and supply chain. Most of the back office activities are working remotely since mid-March of 2020.

Management believes that the Group is exposed to operational and market risks related to the pandemic, mainly:

(i) Impacts on its supply chain, including imported goods. The Group has been closely monitoring the delivery process of goods by all suppliers and has increased its inventory coverage, wherever feasible, for more days than usual.

Additionally, due to the recent high exchanges rates of foreign currency, local suppliers are frequently preferring to export their products rather than selling them on the domestic market, causing prices to rise in the domestic market due to low supply versus high demand. There have been localized temporary shortages in the domestic markets, also causing price increases. Due to these reasons, the Company has been increasing its inventory levels whenever acceptable acquisition opportunities appear, both to dilute average cost and to prevent eventual shortages. The current green coffee supply situation is being further compounded by the impact of regional freezes destroying significant portion of the Arabic coffee crop and further complicating the pricing situation of the limited local stocks.

(ii) Potential credit losses from customers exist especially in the Away From Home (AFH) and Electro segments, which represent, however, only 5.5% of total trade receivables as at 30 June 2021 (3.43% as at 31 December 2020). The Group assesses the payment capacity of customers and has established policies for extending the maturity of accounts receivable when possible and necessary. During the period, there has been no significant increase in trade receivable defaults by customers or in the expected credit losses.

(iii) Exchange rate variations on exposed assets and liabilities: The Group uses derivative financial instruments in order to reduce exposure to risks arising from changes in foreign currency exchange rates and does not have significant balances not covered by the financial instruments as at 30 June 2021.

After the Christmas and New Year celebrations of 2020 - 2021, there was an increase in number of cases of COVID-19 in Brazil. During the first quarter of 2021, state and municipal governments took partial social isolation measures, mostly depending on the level of the disease spread within their territories.

During the second quarter of 2021, especially during May and June, the governments started to relax some of the restrictions, reopening, for example, schools, restaurants, bars and malls, limiting the numbers of clients or reducing the opening hours of these establishments, but future developments cannot be predicted.

The Group understands that in order to make it possible to fully return to the activities of the affected segments in Brazil together with the relaxation of the circulation restriction measures, it will be necessary that the vaccination campaign proceeds as fast as possible.

The vaccination campaign against COVID-19 only started in Brazil in the second half of January 2021 by the priority groups of the so-called phase 1: health workers, people residing in asylums with over 60 years of age, people with disabilities and members of indigenous tribal communities. General population over 75 was also being vaccinated, in accordance with availability of the vaccines.

Vaccination is advancing in all Brazilian states, reaching in June the population aged between 40 and 50 years.

By June 30, 2021, 72,722,360 people had been vaccinated with the first dose (34.5%% of the Brazilian population) and 26,105,125 with the second or single dose (12.4% of the Brazilian population), in a total of more than 99 million doses applied.

Management understands that the Group has a significant headroom relating to goodwill valuations and does not expect any impairment of such assets due to the temporary impact of COVID-19 crisis in Brazil.

The Group has reviewed its exposure to other business risks possibly arising from Covid-19 and has not identified any additional risks that could impact significantly the financial performance or position of the Group as at 30 June 2021.

3.2 Brazilian Supreme Court final decision over exclusion of State VAT (ICMS) from the Federal VAT (PIS and COFINS) calculation base

In the annual report of 2020 the Group disclosed that Federal Regional Courts in Brazil had judged definitively and favorably to Três Corações Alimentos S.A. and its subsidiaries Café Três Corações S.A. and Principal Comércio e Indústria de Café Ltda., proceedings in which the Companies had requested exclusion of state VAT (ICMS) from the Federal VAT (PIS and COFINS) calculation base. In calculating tax credits, the Group adopted the method established in the court decision, which considers the state VAT amounts mentioned in the sales invoices, following also the practice adopted by other companies in Brazil.

Due to the high impact on public accounts of the judicial decisions not only for 3corações Group but also for many other companies, the Federal Government questioned in the Brazilian Supreme Court the correct method of calculating the tax credits, as well as the date of application of the effects of the decision.

On May 13th, 2021, the Supreme Court confirmed the methodology that had been adopted by the majority of Brazilian taxpayers, defining that the ICMS amount to be excluded from PIS and COFINS calculation basis is the one informed in the sales invoices and ratified the unconstitutionality of the tax collection, in general, for all companies since March 15th, 2017. However, companies that had already initiated judicial proceedings before March 15, 2017, will be entitled to the refund of tax credits as authorized by courts in their own proceedings.

The Brazilian Supreme Court thereby ratified the procedure adopted by taxpayers in general, as well as by the companies of *3corações* Group.

The additional impacts in the period from this matter is described in the following Notes.

3.2.1 Três Corações Alimentos S.A - Additional recognition

The amounts of the tax credits were recognized immediately after receiving notification of the gain of the lawsuits or after performing the calculations for those items that were related to the past, where the credit analysis required physical inspection of the documentation. Part of the tax credit was not recognized, where, based on the expectation of using future economic benefits arising from such tax credits, management concluded at the time that the existing balances could probably not be used in the near future (within 5 years of the final court decision, in accordance with Brazilian tax law).

However, after a review, the Group recognized in the first quarter an additional amount of R$ 9,838 based upon the expected utilization through tax compensation. The Group recognized in the statement of income the gain arising from the lawsuits (principal, interest, etc.) as revenue deductions (see Note 7).

3.2.2 Café Brasileiro - New recognition

On November 17, 2020, the Federal Regional Court of the 1st Region judged definitively and favorably the proceeding nº 0010930-04.2017.4.01.3400 of Café Brasileiro Alimentos Ltda., in which the Company had requested exclusion of State VAT (ICMS) from the Federal VAT (PIS and COFINS) calculation base for the years from 2012 to 2018. The Company started to calculate the amounts related to it in January, 2021.

On June 30, 2021, the Company recorded the gain of R$ 3,065 in its books, of which R$ 2,976 will be reimbursed to the original owners of the Company after the final approval of the credits utilization by the Federal Revenue Office, which in accordance with past experience can take up to 10 years.

3.3 Tax assessment notice - São Paulo State VAT (ICMS)

On May 10, 2021, the Company received a tax assessment notice, issued by the São Paulo State Treasury, in the total amount of R$ 36,169. Tax authorities state that the Company, in the fiscal year of 2017, calculated incorrectly the ICMS (state VAT) in transactions with goods subject to the ICMS tax substitution method (ST), claiming that the price used by the Company should have been the consumer sales price rather than the entry cost of goods, although the State of São Paulo legislation determines that wholesalers are not allowed to receive goods without the ICMS – ST calculation.

In December 2020 the Company had already received a similar tax assessment notice related to the same matter, however for the fiscal year of 2016. The State tax authority has the right to inspect transactions of the last 5 years and therefore additional tax assessments may still be issued.

The Group and its tax advisors responsible for monitoring these proceedings classify the risk of loss as remote. As of 30 June 2021 the amount of the São Paulo State tax claims was R$ 67,317 (R$ 30,673 as of 31 December 2020), see subsequent event in Note 8.2.

(In thousands of Brazilian Reals)

3.4 Dividends and interest on equity payments

The dividends and interest on equity related to 2020, in the total amount of R$ 106,876, were recommended by the Board to be paid in 2021. The amount of R$ 106,876 includes R$ 58,526 to be paid as dividends and R$ 48,350 to be paid as interest on equity (from the respective amount there is the foreign shareholder's withholding income tax of R$ 3,626).

On June 29, 2021 the Company paid in full the dividends and interest on equity to both the Brazilian and to the foreign shareholders.

3.5. Purchase option of Apollo brand

On September 26, 2017, a license agreement was celebrated for the use of the Apollo brand, with purchase option, between Toko Paticipações e Empreendimentos S.A. and Café Três Corações S.A.

On June 07, 2021, Café Três Corações S.A. exercised the purchase option and acquired the Apollo Brand from Toko Paticipações e Empreendimentos S.A. for the amount of R$ 2 million.

4 Net debt

	30 June 2021	31 December 2020
Short term loans	534,608	621,269
Long term loans	321,949	417,932
Cash and cash equivalents	(146,266)	(627,002)
Net debt	**710,291**	412,199

The increase in net debt is mainly due to the decrease of cash and cash equivalents. Below is presented the cash flow use for the period:

- Cash flows used in operating activities, in the amount of R$ (148,295);
- Cash flows used in investing activities, in the amount of R$ (44,955);
- Cash flows used in financing activities, in the amount of R$ (287,486).

During the period there was also a reduction in the short and long term loans, mainly due to repayment of working capital loans in the total amount of R$ 396,946. For further information, see the statements of cash flows.

There are no debt covenants on the Group's loan and borrowing contracts with the banks.

5 Contingent liabilities

There were no material events, except for the usual interest accrued on the provisioned contingent liability balances.

(In thousands of Brazilian Reals)

6 Financial instruments

6.1 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term deposits, trade receivables, other receivables and debit balances, credits from banks and others, trade payables and other payables and credit balances, are equal or close to their fair values, except as mentioned below.

Presented below are the carrying amounts and fair values of financial liabilities that are not presented in the financial statements at fair value:

	30 June 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Short term loans	534,608	522,708	621,269	612,899
Long term loans	321,949	339,928	417,932	440,953

The fair value is based on the contractual cash flows, discounted based on the market interest rates as of each reporting date. The carrying amount includes interest accrued as of each reporting date.

6.2 Fair value hierarchy

The Group uses the following hierarchy to determine and disclose the fair values of financial instruments, based on the valuation methodology used:

- **Level 1**: quoted prices in an active market for identical assets and liabilities;

- **Level 2**: values determined by other techniques, for which all of the data, having a significant effect on the recorded fair value, are observable, directly or indirectly;

The fair value of assets and liabilities that are not quoted in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

These valuation techniques maximize the use of observable market data when it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs are not based on observable market data, the asset or liability is considered as valued from Level 3 source of information.

Specific valuation techniques that might be used to value financial instruments in general include:

(i) Quoted market prices or dealer quotes for similar instruments;

(ii) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

(iii) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(In thousands of Brazilian Reals)

- **Level 3**: inputs for valuing a financial instrument that is not based on observable market data (that is, unobservable inputs). As of 30 June 2021 and 31 December 2020, the Group had no financial instruments classified at Level 3.

7 Revenue

7.1 Disaggregated revenue information

	Products	Services	30 June 2021
Geographical markets			
Domestic	2,218,126	252	2,218,378
Foreign	180,266	-	180,266
	2,390,195	**252**	**2,398,644**

	Products	Services	30 June 2020
Geographical markets			
Domestic	1,862,367	62	1,862,429
Foreign	139,272	-	139,272
	2,001,639	**62**	**2,001,701**

7.2 Revenue reconciliation

	Six month periods ended June 30		Three month periods ended June 30	
	2021	**2020**	**2021**	**2020**
Gross revenue:				
Products - domestic	2,730,518	2,337,464	1,581,702	1,271,626
Products - foreign	180,266	139,272	72,273	97,245
Services	318	68	110	17
Other	120	100	64	67
Revenue deductions:				
Taxes on sales (a)	(263,279)	(222,789)	(151,218)	(133,840)
State VAT incentives	55,065	50,305	33,528	27,935
Discounts	(232,567)	(243,432)	(124,565)	(113,260)
Other deductions	(71,797)	(59,287)	(40,561)	(25,634)
Revenue	**2,398,644**	**2,001,701**	**1,371,333**	**1,124,156**

(a) As described in Note 3.2.1 and 3.2.2, the Group recognized the gain from the lawsuits related to the exclusion of State VAT (ICMS) from the Federal VAT (PIS and COFINS) calculation base. For the six month period ended 30 June 2021 the amount recognized was R$ 12,903 (R$ 20,491 for the six month period ended 30 June 2020).

8 Subsequent events

8.1. Frost harm coffee plantations

During the month of July, 2021, a frost hit the arabica coffee plantations located in the states of Minas Gerais, São Paulo and Paraná, which are home to the main producing regions of Brazil.

Many coffee plantations were damaged, having part of their crops burned by cold. Some producers will have to uproot the severely damaged coffee plantations. At this point, it is difficult to estimate the drop in the 2022 harvest and its impact on coffee prices.

Following the frost, the increase in coffee prices, which started in late 2020, has accelerated. The real impact on the price of coffee is expected to clarify when weather conditions are confirmed for the entire harvest period.

During 2021, 3corações Group has been implementing a staged price increase in order to compensate, at least in part, the impact of green coffee price increases.

8.2 Tax assessment notice - São Paulo State VAT (ICMS)

On August 2, 2021, the Company obtained a partially favorable judgment at the State of São Paulo Tax Judgment Office, first administrative instance, regarding the State VAT (ICMS) treatment applied in transactions with goods subject to the ICMS tax substitution method (ST) in the period from January to December of 2016.

The court judged favorably for the Company the matter of greater value, but judged two less relevant topics unfavorably, which the Company still has the opportunity to counter, both administratively and in courts, arguing the decision.

According to tax authorities, the Group calculated incorrectly the ICMS (state VAT) in transactions with goods subject to the ICMS ST, claiming that the price used should have been the consumer sales price rather than the entry cost of goods, although the State of São Paulo legislation determines that wholesalers are not allowed to receive goods without the ICMS – ST calculation.

Considering that the decision is at least in part contrary to the Government and the relatively high values involved, the judging body itself will send the process to the second administrative instance for review.

The partially favorable outcome at the first administrative instance confirmed the understanding of the Group and of its tax advisors, that there is no need to record any liability.

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Chief Executive Officer

Danisio Costa Lima Barbosa
Chief Financial Officer

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